United Nations

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

Volume IV
United Nations University

General Assembly
Official Records
Seventy-third Session
Supplement No. 5

Please recycle

A/73/5 (Vol. IV)

General Assembly
Official Records
Seventy-third Session
Supplement No. 5

A/73/5 (Vol. IV)

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

Volume IV
United Nations University

United Nations • New York, 2018

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0815

Contents

Chapter *Page*

Letters of transmittal 5

I. Report of the Board of Auditors on the financial statements: audit opinion 7

II. Long-form report of the Board of Auditors 10

Summary 10

A. Mandate, scope and methodology 14

B. Findings and recommendations 15

1. Status of implementation of previous recommendations of the Board 15

2. Financial statements and financial reporting 15

3. Financial sustainability of the United Nations University institutes 20

4. Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat 27

5. Information and communications technology management 27

6. Safety and security 31

7. Travel management 36

8. Personnel service agreements and consultant and individual contractor contracts 38

9. Procurement 42

10. Asset management 43

C. Disclosures by management 45

1. Write-off of cash, receivables and property 45

2. Ex gratia payments 45

3. Cases of fraud and presumptive fraud 45

D. Acknowledgement 46

Annex
Status of implementation of recommendations up to the year ended 31 December 2016 47

III. Certification of the financial statements 59

IV. Financial report for the year ended 31 December 2017 58

A. Introduction 58

B. Overview of the financial statements for the year ended 31 December 2017 59

C. Future outlook 66

Annex
Supplementary information 68

V. Financial statements for the year ended 31 December 2017 69

I. Statement of financial position as at 31 December 2017 69

II. Statement of financial performance for the year ended 31 December 2017 71

III. Statement of changes in net assets for the year ended 31 December 2017 72

IV. Statement of cash flows for the year ended 31 December 2017 73

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017 75

Notes to the financial statements 76

Letters of transmittal

Letter dated 31 March 2018 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit the financial statements of the United Nations University for the year ended 31 December 2017, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) António **Guterres**

Letter dated 24 July 2018 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations University for the year ended 31 December 2017.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations University, which comprise the statement of financial position (statement I) as at 31 December 2017 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United Nations University as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the United Nations University in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2017, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Secretary-General and those charged with governance for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Secretary-General determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing the ability of the United Nations University to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the Secretary-General intends either to liquidate the United Nations University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the United Nations University.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the United Nations University.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.
- Draw conclusions as to the appropriateness of the Secretary-General's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the United Nations University to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the United Nations University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations University that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations University.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

24 July 2018

Chapter II

Long-form report of the Board of Auditors

Summary

The United Nations University (UNU) is a solutions-focused think tank and research arm for the United Nations system. The UNU Centre serves as the administrative, coordination and services unit of the global UNU system. The main research and academic work of the University is carried out by a global network of research and training institutes. This network is supplemented by research programmes.

The Board of Auditors audited the financial statements and reviewed the operations of UNU for the year ended 31 December 2017. The audit was carried out through visits to the UNU Institute for the Advanced Study of Sustainability (UNU-IAS) in Tokyo, Japan, and the UNU Centre in Tokyo and in Putrajaya, Malaysia, for a review of their financial transactions and operations.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements for the period under review as reflected in chapter I.

Overall conclusion

During the period under review, UNU continued its efforts to address the concerns raised by the Board in its previous reports and improve its financial management and overall governance structures. There was an increase in the rate of implementation of previous recommendations of the Board, from 47 per cent in 2016 to 56 per cent in 2017.

With total revenue of $106.84 million and expenses of $107.84 million during 2017, the financial statements reflected a net deficit of $1 million. However, the overall financial position of UNU remained sound, with current assets of almost six times the current liabilities and total assets of more than seven times the total liabilities.

Owing to the findings of the Board, the financial statements had to be recertified. The Board identified a need to strengthen financial reporting, the financial sustainability of the UNU institutes, and management of information and communications technology (ICT), assets and travel. Improvements are also needed in the fields of procurement, contract management, and safety and security, and in the implementation of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat.

Key Findings

Our key findings are as follows:

Internal controls

(a) The United Nations will implement a statement of internal control. UNU should also prepare for the issuance of such a statement. In the context of the proposal that the United Nations adopt the International Public Sector Accounting Standards (IPSAS), the Secretary-General identified improved internal control as a major benefit (see A/60/846/Add.3, para. 15). Regarding IPSAS financial reporting of UNU, final authority rests with the Controller of the United Nations. Therefore, the statement of

internal control is likely to become a requirement for UNU in the medium term. In any event, UNU would benefit from the preparations for a statement of internal control. The Board learned, upon inquiry, that no risk-control matrix had been developed for UNU. By developing a risk-control matrix, UNU could improve its internal controls and at the same time prepare for the upcoming statement of internal control;

Funding of after-service health insurance

(b) Some of the liabilities resulting from post-employment benefits for staff members are not being funded for the long term. In a commendable initiative, UNU started to set aside 2 per cent of gross salaries plus post adjustment in 2014 for funding after-service health insurance. Through this measure, UNU had accumulated an amount of $842,216.28 dedicated to the funding of post-employment benefits as at 31 December 2017. However, an amount of $15.4 million remains unfunded. UNU should increase the funding set aside for after-service health insurance and follow the accrual policy set out by the Controller for Secretariat entities in this regard. Furthermore, UNU has no specific investment strategy for the funding set aside;

Financial sustainability of the United Nations University institutes

(c) The Board is concerned about the financial sustainability of the UNU institutes. Their revenues from voluntary contributions decreased from $43.3 million in 2014 to $25.4 million in 2017. The recent development shows that they were only able to cover 33 per cent of their expenses through voluntary contributions, while in 2014 expenses were fully covered;

Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat

(d) UNU has not yet fully implemented the Anti-Fraud and Anti-Corruption Framework. UNU did not assign specific roles or responsibilities to managers at different levels of the hierarchy for preventing and managing fraud and corruption, did not identify or address fraud and corruption risks in its risk register and did not offer any training sessions regarding anti-fraud and anti-corruption issues;

Information and communications technology management

(e) The decentralized ICT approach encompassing the UNU Centre and 13 UNU institutes and programmes worldwide results in the establishment of local silos, which pose critical risks to cost-effectiveness and ICT security across UNU;

(f) Efforts by UNU to strengthen the knowledge of users about ICT security, notably social engineering and phishing, appear not to be sufficient;

Safety and security

(g) The UNU emergency response plan has been in draft status for years; its implementation is planned but is still pending. The plan has never been tested but has been updated. The UNU business continuity plan has also been tentative for years; it has neither been approved by the Rector, nor activated, nor tested, nor updated. The business continuity plan does not include a disaster recovery plan as required by industry standards. Without an emergency response plan or a business continuity plan, UNU has no instructions on how to maintain key functions during a critical incident or how to continue business in case of interruption by emergency or disaster;

(h) UNU performs evacuation drills and training only on a voluntary basis, and they are always pre-announced to the personnel. The Board is of the opinion that only mandatory training, in combination with drills that are also mandatory and are not pre-announced, could reflect the preparedness of United Nations personnel for emergency situations seriously;

(i) On 11 March 2011, an undersea megathrust earthquake with a magnitude of up to 9.1 occurred in eastern Japan The risk of another major earthquake occurring in the Tokyo area within the next 30 years is estimated at 70 per cent. The UNU headquarters building is owned by the Government of Japan (Ministry of Education, Culture, Sports, Science and Technology) and used by UNU free of charge. The Government of Japan is responsible for the prevention and repair of structural damage to the building. UNU is, inter alia, responsible for maintenance. UNU has two major areas for repair and replacement in its building: the replacement of the obsolete fire detection system; and, on the basis of a major risk in the case of an earthquake, the reinforcement of ceilings in rooms such as the entrance hall and the two large conference rooms. This includes the replacement of electricity cables and pipes;

Travel management

(j) The Rector of UNU approved UNU administrative instruction UNU/ADM/2014/1 on 11 November 2014. Additionally, UNU provides a document with questions and answers on the UNU intranet that was last updated on 12 April 2017, which gives general approval of further costs. No sufficient justification was given as to why payments that go beyond the framework of the administrative instruction can be regulated by a question and answer document;

Consultants

(k) The Board identified three cases of consultants whose contracts are not in line with the rules and regulations of UNU: specific, results-oriented functions within a prescribed time frame are lacking in the terms of reference or work assignment. Furthermore, the entirety of the transactions are not documented on file in a comprehensible and fully justifiable form, and the two contracts with retired staff members do not comply with administrative instruction ST/AI/2013/4, as the retired staff members are in receipt of a benefit from the United Nations Joint Staff Pension Fund and were hired for more than six months in a calendar year;

(l) For the financial management, UNU-IAS uses the Atlas enterprise resource planning system. To control the payments related to personnel service agreements and consultant and individual contractor contracts, UNU-IAS uses an Excel file with monthly standing orders. An electronic system for managing the personnel files would ensure transparent documentation of those processes and limit the risk of errors and the possibility of orders being tampered with.

Main recommendations

On the basis of the audit findings, the Board recommends that:

(a) **UNU develop a risk-control matrix;**

(b) **UNU increase the funding set aside for after-service health insurance and adhere to the accrual policy set out by the Controller in her memorandum dated 29 November 2016;**

(c) UNU collaborate in the efforts of the Working Group on Common Treasury Services to pursue opportunities for collaboration with respect to the investment of funds earmarked for the coverage of after-service health insurance liabilities;

(d) UNU conduct a comprehensive analysis of the financial situation of all UNU institutes and determine specific steps to strengthen the financial sustainability of the UNU system;

(e) UNU fully implement the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat;

(f) UNU establish an ICT governance framework adjusted to its needs and objectives as soon as possible. The ICT governance framework should not seek to restrict the academic programme of the UNU institutes, but should allow for far-reaching and effective coordination and standardization across UNU in ICT matters;

(g) UNU make sure that all UNU ICT users, in particular new personnel, complete the information security awareness training course of the Department of Safety and Security of the Secretariat as soon as possible;

(h) The UNU Centre activate, test and update the emergency response plan and the business continuity plan as soon as possible;

(i) The UNU Centre include a disaster recovery plan in the business continuity plan;

(j) UNU plan mandatory safety and security training sessions and perform mandatory emergency drills for all United Nations personnel inside the UNU headquarters building to ensure the preparedness of UNU and the effectiveness of its systems and procedures to deal with emergency situations. Emergency drills should not be pre-announced;

(k) Repair and maintenance measures at the UNU headquarters building that are needed to ensure the safety and security of personnel and other people using the facilities be prioritized;

(l) UNU update its administrative instruction for travel on the basis of the relevant United Nations rules and administrative instructions and taking into account lessons learned since the administrative instruction has been implemented. The updated administrative instruction should cover travel issues that turned out to be general cases for enhancing transparency and giving staff clear guidance;

(m) UNU describe specific, results-oriented functions to be accomplished within a prescribed time frame in the terms of reference or work assignment contained in its consultant contracts;

(n) UNU document the performance of its consultants in a comprehensible and fully justifiable form;

(o) UNU limit the duration of consultant contracts for retired staff members in receipt of a benefit from the United Nations Joint Staff Pension Fund to six months per calendar year;

(p) UNU use an electronic system, preferably the human capital management module of the enterprise resource planning system, for managing personnel service agreements and consultant and individual contractor contracts.

Key facts	
$106.84 million:	Revenue
$107.84 million:	Expenses
$1.00 million:	Deficit for the year
$487.64 million:	Assets
$66.86 million:	Liabilities
$420.78 million:	Net assets

A. Mandate, scope and methodology

1. On 6 December 1973, the General Assembly formally adopted the Charter of the United Nations University (UNU), which states that UNU shall be an international community of scholars, engaged in research, postgraduate training and dissemination of knowledge in furtherance of the purposes and principles of the Charter of the United Nations. It also states that the University shall devote its work to research into the pressing global problems of human survival, development and welfare that are the concern of the United Nations and its agencies, with due attention to the social sciences and the humanities as well as natural sciences, pure and applied.

2. UNU operates as an autonomous organ of the General Assembly. UNU conducts its research through a global network of academic institutes and programmes, which are coordinated by the UNU Centre. The Centre serves as the administrative, coordination and services unit of the global UNU system. Although it is located primarily in Tokyo, the Centre has a number of adjunct offices, including an administrative and financial services office in Putrajaya, Malaysia (formerly located in Kuala Lumpur). The main research and academic work of the University is carried out by a global network of 11 research and training institutes. This network is supplemented by research programmes.

3. UNU receives no funds from the regular United Nations budget. It is financed solely through voluntary contributions from host Governments of the University's institutes, foundations, agencies, international organizations and other sources, and through investment income derived from the UNU Endowment Fund.

4. The Board conducted the audit in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing.

5. The audit was conducted primarily to form an opinion as to whether the financial statements presented fairly the financial position of UNU as at 31 December 2017 and the results of its operations and cash flows for the financial period then ended in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether the revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test

examination of the accounting records and other supporting evidence to the extent that it was considered necessary to form an opinion on the financial statements.

6. The audit findings presented below were discussed with the UNU administration, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Status of implementation of previous recommendations of the Board

7. The Board noted that out of the total of 27 recommendations that remained outstanding as at 31 December 2016, 15 (56 per cent) had been implemented and 12 (44 per cent) were under implementation. Details of the status of implementation of the recommendations are presented in the annex to chapter II. The percentage of fully implemented recommendations increased from 47 per cent in 2016 to 56 per cent in 2017.

2. Financial statements and financial reporting

8. Total assets as at 31 December 2017 were $487.64 million, compared with $507.26 million as at 31 December 2016, reflecting a decrease of 3.87 per cent, owing mostly to a decrease in voluntary contributions receivable of $42.58 million. Assets consist mainly of investments, which amounted to $390.23 million, representing 80.03 per cent of total assets. Total liabilities as at 31 December 2017 were $66.86 million, compared with $83.87 million as at 31 December 2016. The decrease resulted primarily from a reduction in accounts payable and accrued liabilities by $16.05 million.

9. UNU had not recognized the impairment of future instalments of major voluntary contributions receivable. After recognition of an additional allowance of $33.75 million, the financial statements had to be recertified. Upon the recommendation of the Board in its previous report (A/72/5 (Vol. IV), chap. II), UNU amended its accounting policies in such a way that voluntary contributions receivable are to be discounted using the effective interest rate if the effect is deemed material. As at 31 December 2017, discounting of receivables would have reduced the receivables by $0.22 million, which management deemed immaterial. Consequently, receivables, net assets and the result for the year are overstated by that amount.

10. The University's revenue amounted to $106.84 million, compared with the $66.18 million reported in 2016, representing an increase of 61.44 per cent. This is due mainly to an increase in investment revenue of $25.39 million, to a total of $38.72 million (36.24 per cent of total revenue). The main source of revenue was voluntary contributions, which decreased slightly to $48.75 million (45.63 per cent of total revenue). Total expenses amounted to $107.84 million, compared with the $89.99 million recorded in 2016, representing an increase of 19.84 per cent. The main expense categories were other operating expenses of $53.66 million (49.76 per cent), employee salaries, allowances and benefits of $23.85 million (22.12 per cent) and rent, leases and utilities of $18.52 million (17.17 per cent). During 2017, other operating expenses increased by $20.2 million (60.38 per cent), owing mainly to the higher allowance for doubtful voluntary contributions receivable. Accumulated surpluses and endowment fund balances amounted to $53.44 million (2016: $55.75 million) and $367.34 million (2016: $367.64 million), respectively.

Financial ratios

11. The ratios set out in table II.1 indicate that the overall financial position of UNU is sound, with current assets of almost six times the current liabilities and total assets

of more than seven times the total liabilities. The quick ratio and the cash ratio also indicate high liquidity. In general, the financial situation of an entity is not regarded as unsound as long as the financial ratios exceed 1.

Table II.1
Financial ratios

Ratios	*2017*	*2016*
Total assets: total liabilities[a]		
Assets: liabilities	7.29	6.05
Current ratio[b]		
Current assets: current liabilities	5.98	3.74
Quick ratio[c]		
(Cash + short-term investments + accounts receivable): current liabilities	5.93	3.67
Cash ratio[d]		
(Cash + short-term investments): current liabilities	4.69	2.31

Source: UNU financial statements.

[a] A high ratio is a good indicator of solvency.

[b] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

Internal controls

12. In the eighth progress report on the adoption of IPSAS by the United Nations, the Secretary-General indicated that the United Nations would use the internal control-integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission as the basis for its approach to strengthening internal controls (see A/70/329, paras. 46–51).

13. Implementation was delayed owing to multiple change initiatives that could not be undertaken simultaneously (see A/72/213, para. 40). Furthermore, it was found that the ongoing management reform initiatives of the Secretary-General would have a more significant impact on internal controls than initially thought, as they could further change roles, responsibilities and organizational structures (ibid., para. 48).

14. Nevertheless, in 2017, the Office of the Controller established an internal control advisory group to function as an expert advisory group with a view to assisting the Controller in the implementation of the statement of internal control.

15. The Secretary-General estimates that the statement of internal control will be implemented in the financial year 2017/18 for peacekeeping entities and in 2018 for non-peacekeeping entities. The scope of the project is United Nations Secretariat entities.

16. However, the Board recommends that UNU also prepare for the issuance of a statement on internal control. In the context of the proposal that the United Nations adopt IPSAS, the Secretary-General identified improved internal control as a major benefit (see A/60/846/Add.3, para. 15). With regard to IPSAS financial reporting of UNU, final authority rests with the Controller of the United Nations. The statement of internal control is therefore likely to become a requirement for UNU in the medium term. In any event, UNU would benefit from the preparations for a statement of internal control.

17. The Board learned, upon inquiry, that no risk-control matrix had been developed for UNU. Such a matrix, inter alia, helps with identifying risks, linking risks to financial statement assertions and identifying controls as well as related control activities. Controls can be aligned with underlying risks. Similarly, the Secretary-General planned for an assessment of the presence and functioning of internal controls to be undertaken by the individual departments, offices and missions in the Secretariat (see A/72/213, para. 42). By developing a risk-control matrix now, UNU could improve its internal controls and simultaneously prepare for the upcoming statement of internal control.

18. **The Board recommends that UNU develop a risk-control matrix.**

19. UNU agreed with the recommendation.

Funding of after-service health insurance

20. UNU is obliged to pay for several post-employment benefits for its staff members if eligibility criteria are met. The funds for some of those benefits are set aside during the staff members' service, for example, for staff pensions. However, the liabilities resulting from other benefits are not being funded for the long term. The defined end-of-service/post-employment benefits liabilities of UNU amounted to $16.2 million as at 31 December 2017.

21. In a commendable initiative, UNU started to set aside 2 per cent of gross salaries plus post adjustment in 2014. By this means, UNU had accumulated an amount of $0.8 million dedicated to the funding of post-employment benefits as at 31 December 2017. An amount of $15.4 million therefore remains unfunded.

22. UNU is not funded from assessed resources, but depends on voluntary contributions. Activities funded from voluntary contributions do not always adequately finance current employee benefits and usually do not finance post-retirement benefits. In particular, the after-service health insurance gives rise to significant liabilities. As stated in a memorandum from the Controller on this issue dated 29 November 2016, this creates "a potential destabilizing effect on the financial condition and long-term viability of voluntarily funded projects or entities".

23. In the above-mentioned memorandum, as a countermeasure and to ensure compliance with regulation 3.12 of the Financial Regulations and Rules of the United Nations, the Controller instructed all Secretariat entities to apply a monthly accrual equivalent to 3 per cent of gross salary plus post adjustment through the payroll to all posts funded by voluntary contributions, beginning on 1 January 2017. This is part of a phased approach to eventually set aside 9 per cent of gross salary plus post adjustment as deemed necessary by the Controller to cover the liabilities.

24. UNU was not addressed in the memorandum. The Accounts Division of the Office of Programme Planning, Budget and Accounts of the Secretariat stated that UNU was outside the scope of the decision contained in the memorandum. However, article IX (6) of the UNU Charter provides that "the Financial Regulations and the Financial Rules of the United Nations shall apply to the financial operations of the University subject to such special rules and procedures as the Rector, in agreement with the Secretary-General, may issue after consultations with the Council and with the Advisory Committee on Administrative and Budgetary Questions of the United Nations". Article IX (3) of the UNU Charter provides that "contributions which may directly or indirectly involve an immediate or ultimate financial liability for the University ... may be accepted only with the approval of the Council".

25. The Board is therefore of the view that UNU essentially needs to comply with the same regulations and rules as the Secretariat entities, in particular financial regulation 3.12. Furthermore, UNU faces the same challenges regarding the financing

of post-employment benefits with voluntary contributions. Therefore, the Board holds that UNU should increase the funding set aside for after-service health insurance and adhere to the accrual policy set out by the Controller.

26. The Board noted that UNU currently has no specific investment strategy for the funding set aside for the after-service health insurance liabilities. The funds are held in the United Nations cash and investment pool. Therefore, maturities of assets and liabilities do not match with regard to the after-service health insurance reserves. The liabilities have a long time remaining to maturity. By selecting long-term investments for the corresponding reserves, higher returns could most likely be achieved. Other United Nations entities pursue ways of collaborating in the investment of the reserves. In his report on managing after-service health insurance, the Secretary-General recommended that the Working Group on Common Treasury Services continue to promote inter-agency collaboration with respect to the investment of funds earmarked for covering after-service health insurance liabilities (see A/71/698 and A/71/698/Corr.1, para. 78). The Advisory Committee on Administrative and Budgetary Questions endorsed the recommendation and welcomed the efforts of the Working Group on Common Treasury Services to pursue opportunities for collaboration for those entities that had their own governing bodies and had set aside reserves earmarked for covering their after-service health insurance liabilities (see A/71/815, para. 43).

27. **The Board recommends that UNU increase the funding set aside for after-service health insurance and adhere to the accrual policy set out by the Controller in her memorandum dated 29 November 2016.**

28. **The Board recommends that UNU collaborate in the efforts of the Working Group on Common Treasury Services to pursue opportunities for collaboration with respect to the investment of funds earmarked for the coverage of after-service health insurance liabilities.**

29. UNU agreed with the recommendations.

Recognition of voluntary contributions

30. The activities of UNU are funded from voluntary contributions received from Member States, private sector and non-profit sector organizations and individuals. Under IPSAS 23: Revenue from non-exchange transactions, voluntary contributions are accounted for as non-exchange transactions because UNU receives value from the donor without directly giving approximately equal value in exchange.

31. Pursuant to the United Nations corporate guidance for IPSAS on funding arrangements, revenue from voluntary contributions is recognized on the basis of an assessment of whether an asset and a liability has been created. A voluntary contribution receivable will be recognized when:

(a) The United Nations controls the funds as a result of a past event;

(b) It is probable that the United Nations expects to receive an inflow of future economic benefits or service potential from the funds;

(c) The fair value of the funds can be measured reliably.

32. Typically, donor agreements provide for contributions in cash; accordingly, the latter criterion has historically always been met for cash contributions.

33. The corporate guidance provides a checklist to, inter alia, determine whether the asset recognition criteria have been met. In relation to whether the amount of an agreement is clearly stated or a reasonable estimate can be given, the corporate

guidance states: "Certain clause that should be assessed: 'The contribution is up to a maximum of US$ xxxx'".

34. Donor agreements often include a note that the contribution will be paid "up to" the granted amount. The Board found that UNU did not recognize a voluntary contribution receivable and consequently recognized no revenue or liabilities in these cases upon signing the agreement. UNU recognized revenue only in the amount of payments received in the respective year. Essentially, UNU practised cash-based accounting in that respect. UNU justified this practice by stating that revenue is recognized when eligible expenses are incurred and invoices are issued and/or a progress report is prepared, which is the point when the fair value of funds can be measured reliably.

35. The Board holds that the fair value of assets contributed by means of an agreement that includes a maximum grant amount in cash can, in general, be measured reliably. Some uncertainty alone about whether the maximum amount will eventually be received does not warrant the assessment that reliable measurement was impossible and that the asset recognition criteria were not met. Rather than that, this level of uncertainty can usually be reflected in the fair value.

36. **The Board recommends that UNU change its accounting policy for enforceable donor agreements that refer to a maximum contribution in cash so as to reflect that in such cases the fair value can usually be measured reliably and an asset should be recognized.**

37. UNU agreed to review the accounting policy in consultation with the Accounts Division of the Secretariat.

Enterprise resource planning system

38. At present, the preparation of the UNU financial statements at year-end is mainly a manual process. Journal postings are exported from the enterprise resource planning system to a spreadsheet file. The journal data is processed in multiple sheets of the spreadsheet and numerous manual inputs are required. This process is cumbersome and prone to error.

39. In the course of its past audits, the Board noted that other United Nations entities had implemented a software solution, essentially an additional application for Umoja, enabling the preparation of the financial statements to be largely automated. This greatly facilitated the preparation process and enabled the Administration to complete the financial statements before the submission date determined in financial rule 106.1 (b) (see, for example, A/72/5 (Vol. II), chap. II, para. 16).

40. Currently, UNU partners with the United Nations Development Programme (UNDP) and uses an enterprise resource planning system administered by UNDP. UNDP may replace or renew that system in the future. As a potential collaborator, the Board holds that UNU should assess whether it could benefit from a software solution permitting the automated preparation of financial statements.

41. **The Board recommends that UNU assess whether it could benefit from an enterprise resource planning system that permits the automated preparation of the financial statements.**

42. UNU agreed with the recommendations.

3. Financial sustainability of the United Nations University institutes

43. The UNU institutes are financed mainly through voluntary contributions. UNU distinguishes between core income and specific programme contributions as follows:

(a) Core income represents voluntary contributions that are not earmarked. In particular, this comprises income from the UNU Endowment Fund (capital contributions) and operating contributions provided by the host countries of the UNU institutes;

(b) Specific programme contributions represent voluntary contributions that are earmarked for specific academic projects.

44. The income structure differs widely between the institutes. Some receive income from all three sources (specific programme, capital and operating contributions), while others depend heavily on one income pillar.

45. UNU stated in its strategic plan for the period 2015–2019 that several UNU institutes faced challenges to their overall financial stability. There was a clear and pressing need to revisit the existing business model. The strategic plan mentioned several actions that needed to be taken to overview and strengthen the financial situation of the UNU institutes, such as:

(a) The development of fundraising benchmarks and indicators;

(b) The conduct of external peer reviews every four to five years;

(c) The provision of fewer but larger subventions in order to implement more ambitious research projects;

(d) The formulation of requirements for establishing new institutes;

(e) The provision of the wherewithal to close down underperforming institutes (those with poor quality research or inadequate funding).

Fundraising benchmarks and indicators

46. According to the current UNU strategic plan, the Rector will focus primarily on providing strategic guidance to UNU institute directors and simultaneously challenging them to meet new benchmarks. Advisory boards and committees of UNU institutes will be entrusted with a stronger oversight role, ensuring that research programming yields projects that are sufficiently ambitious in scope and that integrate fundraising benchmarks. The Rector emphasized that donors were sensitive about benchmarks and indicators, and UNU institutes needed to ensure that they were monitored carefully. UNU opted not to establish a uniform performance management system across the University, but rather to establish a decentralized system of benchmarks and indicators.

47. The latest UNU progress report on the implementation of the strategic plan underlines that the priority for the Rector in 2016 and 2017 was to ensure that the institutes established specific benchmarks and indicators that could be used to measure progress in five key areas, including fundraising. According to the report, half of the UNU institutes measured progress against newly established benchmarks and indicators in 2017. The other half established an initial list of benchmarks and indicators, which will be used to evaluate progress for the first time in 2018.

48. The Board noted that the UNU institutes had developed benchmarks and performance indicators in the area of fundraising that varied considerably. Examples of such varying indicators are:

(a) Ratio of specific programme contributions to core income;

(b) Ratio of specific programme contributions to total income;

(c) Ratio of international to domestic donors;

(d) Finalization of funding strategies;

(e) Number and average value of grants;

(f) Total number of donors;

(g) Overhead costs secured from specific programme contributions.

49. The UNU institutes set specific targets for these indicators that also differ widely.

50. The Board appreciates the efforts made by the UNU institutes to establish benchmarks and performance indicators. The Board recognizes the necessity of specific benchmarks and performance indicators that take into account the specific needs and the situation of the respective institute. However, the diversity of these institute-related benchmarks and indicators does not permit comparisons between all UNU institutes. On this basis, the Rector can hardly oversee or compare the development of or the trends in the fundraising performance of the institutes, and the institutes themselves cannot comparatively assess their fundraising performance.

51. The Board considers it essential to establish additional standardized benchmarks and performance indicators on fundraising that complement the specific institute-related ones. In cases in which the financial sustainability of UNU institutes is at risk, this often stems from one-sided funding. Therefore, the envisaged standard indicators should address the funding structure of the institutes (for example, ratios of capital contributions, operating contributions and specific programme contributions).

52. **The Board recommends that UNU establish additional standardized cross-cutting benchmarks and performance indicators on fundraising that address the funding structure of the institutes.**

53. UNU agreed with the recommendation.

External peer reviews

54. The University's strategic plan provides that the UNU institutes will continue to be evaluated by external peers every four to five years. The terms of reference for such evaluations shall include an assessment of the success of the institute in securing its financial base, that is, achieving at least moderate growth, thereby assuring the overall financial viability of the unit for the future.

55. Upon request, UNU presented an internal paper on the overall evaluation planning for the years 2017–2023. Table II.2 shows the evaluations conducted and planned.

Table II.2
Conducted and planned evaluations

Institute	*Year of establishment*	*Previous evaluation conducted*	*Next planned evaluation*
UNU-BIOLAC	1988	2012	None
UNU-CRIS	2001	2014	2021
UNU-CS	2015	1997	2018
UNU-EHS	2003	2014	2019
UNU-FLORES	2012	–	2020
UNU-GCM	2012	–	2018 or 2020

Institute	*Year of establishment*	*Previous evaluation conducted*	*Next planned evaluation*
UNU-IAS	2014	–	2019
UNU-IIGH	2007	2018	None
UNU-INRA	1990	2002	2018
UNU-INWEH	1996	2017	None
UNU-IRADDA	Planned	–	–
UNU-MERIT	2007	2003	2020
UNU-WIDER	1985	2011	2021
UNU Centre			
UNU-CPR	2014	–	None
UNU-EGOV	2015	–	2018 or 2020
UNU-ViE	2007	2017	None
UNU	**1973**	**2014**	**2023 or 2024**

Source: UNU internal paper on the overall evaluation planning for the years 2017–2023.

Abbreviations: UNU-BIOLAC, UNU Programme for Biotechnology in Latin America and the Caribbean; UNU-CPR, UNU Centre for Policy Research; UNU-CRIS, UNU Institute on Comparative Regional Integration Studies; UNU-CS, UNU Institute on Computing and Society; UNU-EGOV, UNU Operating Unit on Policy-driven Electronic Governance; UNU-EHS, UNU Institute for Environment and Human Security; UNU-FLORES, UNU Institute for Integrated Management of Material Fluxes and of Resources; UNU-GCM, UNU Institute on Globalization, Culture and Mobility; UNU-IAS, UNU Institute for the Advanced Study of Sustainability; UNU-IIGH, UNU International Institute for Global Health; UNU-INRA, UNU Institute for Natural Resources in Africa; UNU-INWEH, UNU Institute for Water, Environment and Health; UNU-IRADDA, UNU Institute for Sustainable Development; UNU-MERIT, UNU Maastricht Economic and Social Research Institute on Innovation and Technology; UNU-ViE, UNU Vice-Rectorate in Europe; UNU-WIDER, UNU World Institute for Development Economics Research.

56. The Board noted that five UNU institutes had been evaluated in the past five years. Three institutes (UNU-IAS, UNU-FLORES and UNU-GCM) have never been evaluated by external peers on behalf of UNU. The evaluations of two institutes were conducted more than 15 years ago (UNU-CS and UNU-INRA).

57. The evaluation reports differ widely with regard to statements on the fundraising and the overall financial situation of the evaluated institute. While in some reports the topic is dealt with in only a few paragraphs, in others it is covered over several pages. Some reports show specific financial ratios, such as those of core income to specific programme contributions or share of core income used for specific cost categories (for example, personnel costs and general costs). Other reports do not contain such ratios or figures. The reports also differ widely with respect to the scope and level of detail of the recommendations on fundraising. UNU presented the terms of reference for the latest evaluation as an example of generic terms of reference. Minimum requirements for financial issues, especially fundraising objectives, were not included.

58. The Board holds that UNU did not meet the target of evaluating all UNU institutes every four to five years. Even with the planned evaluations, UNU will not meet the targeted schedule. Furthermore, the evaluation plan is not binding.

59. The Board considers it necessary that the financial status, especially the effectiveness of fundraising, be part of the evaluation. Therefore, UNU should determine minimum requirements in the terms of reference on the scope of the financial analysis and recommendations that need to be covered by the evaluation.

According to the evaluations, fundraising entails significant administrative effort and decreases the scientific output. This demands a close analysis of the UNU institutes' specialties and the tailored development of recommendations to meet the fundraising needs in the UNU institutes' environment. The analysis should comprise core contributions and specific programme contributions, including their development and the possibility of making new sources accessible. In order to increase income, the evaluation must take into account the specific environment of the institute, for example, the location and capacities available for fundraising.

60. **The Board recommends that UNU ensure that all UNU institutes undergo an external review every four to five years, and that it therefore redefine and issue the evaluation plan.**

61. **Furthermore, the Board recommends that UNU determine minimum requirements in the terms of reference on the scope of the financial analysis and recommendations that need to be covered by the evaluation.**

62. UNU agreed with the recommendations and stated that evaluations may take place at irregular intervals to accommodate unexpected staffing changes at the Director level and evaluation commitments in donor agreements.

Development of specific programme contributions

63. Pursuant to the UNU strategic plan, the existing UNU institutes are overhauling their approaches to fundraising, avoiding small grants in favour of fewer but larger subventions in order to implement more ambitious research projects.

64. When UNU adopted its current strategic plan in 2014, it neither identified a baseline nor defined an operational target for the number and (average or minimum) value of project grants. It was also not clearly defined which contributions should be considered. UNU clarified during the audit that the goal is aimed at all specific programme contributions. The University's latest progress report on the implementation of the strategic plan does not contain information on the development of the number or value of the specific programme contributions.

65. Upon request, UNU provided different analyses referring to the development of the specific programme contributions. The Board noted that the results of these analyses differed and showed no clear picture. However, UNU has not implemented a reporting tool in operation to monitor the development of the number or value of the specific programme contributions. As UNU has set neither a baseline nor a target, it cannot assess the progress made on this topic.

66. Owing to the lack of information and planning, it was also not possible for the Board to analyse or assess the development of the specific programme contributions over the past few years. The Board assumes that specific programme contributions with a contract value below $50,000 are to be considered as "small grants". Roughly 25 per cent of the specific programme contributions that UNU signed in 2017 have a contract value below that threshold and are therefore considered to be "small".

67. The Board endorses the goal of UNU to reduce the number of small specific programme contributions in favour of fewer larger ones. Contributions with a low contract value have proportionally high administrative costs and therefore have a disproportionately low cost-benefit ratio. The Board holds that UNU failed to set clear indicators and targets for this goal and therefore could not monitor whether progress was made. Therefore, it would be necessary to define which kind of contributions should be addressed by this goal in order to identify the current baseline and, on that basis, to establish indicators. Furthermore, UNU should monitor the development of the specific programme contributions and, if necessary, take measures to ensure progress.

68. **The Board recommends that UNU clearly operationalize its goal to sign fewer but larger specific programme contribution agreements.**

69. UNU agreed with the recommendation.

Core funding of new institutes

70. The UNU strategic plan stipulates that any new research entity created within the UNU system is to be established with sufficient funding to ensure its financial sustainability in the medium and long term. For the establishment of a UNU institute, a commitment of at least five years of annual core funding at a level commensurate with the size of the research operations, usually at least $2 million per year, is required. In addition, a capital funding contribution is to be paid into the UNU Endowment Fund. Suitable premises, usually located on the campus of an existing local university, and coverage of the basic running costs are also required. These requirements are specified in an informal background note from December 2016. An entity needs to have capital (endowment) contributions. The income from this contribution should be sufficient to sustain a core set of academic activities and administrative services over a long period of time. The guideline is for an endowment contribution in the range of $40 million to $60 million over a period of up to 10 years. UNU considers this to be an indicator of the level of interest and commitment of the host country. In addition to the capital contribution, substantial and secure multi-year operational financing to support activity planning and adequate staffing prior to the launch of fundraising is required. An appropriate baseline for annual operating contributions is $2 million, normally for a minimum of five years.

71. In February 2018, an agreement between UNU and the Government of a host country was signed to establish a new UNU institute. It was the result of longer negotiations, as explained below:

(a) In 2014, the host country agreement for establishing a new UNU institute was signed. The intention was to conclude the bilateral agreement soon thereafter, including funding arrangements, available premises and maintenance obligations;

(b) In 2016, the Government of the host country pledged to provide operating contributions totalling $6 million over a five-year period and a capital (endowment) contribution of $1 million to be paid into the Endowment Fund in 2016;

(c) Later in 2016, the Government of the host country informed UNU that the modality of payment of the $1 million endowment contribution had changed: instead of making the full payment of the endowment contribution, it proposed to pay the contribution in four instalments of $250,000 starting from 2017. This was due to the fact that the ministry had not been able to secure funding for the endowment payment in time and needed first to obtain authorization from the parliament. UNU refused to sign the bilateral agreement since it would lead to the establishment of a new institute without a sound and sustainable foundation;

(d) At its sixty-sixth session, in 2016, the UNU Council stated that the new financial terms did not ensure that the new institute would be launched with sound and sustainable financing. The Council endorsed the Rector's proposal not to further pursue the establishment of the institute if the negotiations with the host Government could not be concluded satisfactorily;

(e) At the sixty-eighth session of the UNU Council, in 2017, the Rector proposed to cease negotiations on the establishment of the institute. The Council decided to request the Rector to remain open to proposals from the Government;

(f) In February 2018, UNU signed an agreement on capital and operational contributions for a five-year period. The agreement sets out initial core funding for the institute totalling $6 million, as follows:

(i) A capital contribution of $1 million (five annual instalments of $200,000) shall be placed in the Endowment Fund and earmarked for the institute, with the aim of ensuring its long-term viability;

(ii) An operational contribution of $5 million shall be paid annually ($1 million per year) to ensure the build-up and strengthening of its work during the period of validity of the agreement.

72. The Board appreciates that UNU has set minimum requirements to only establish institutes on a sound financial basis. Therefore, the initial configuration of a new UNU institute under the current strategic plan needs to be considered with particular diligence. The Board holds that the agreement to establish a new UNU institute signed in February 2018 complies neither with the stipulations set out in the strategic plan nor with the background note for establishing new institutes. It does not contain the required initial capital funding for the Endowment Fund since it is paid in five instalments and only totals $1 million. Moreover, the operational funding is only $1 million per year instead of the usual minimum amount of $2 million. The agreement was signed even though the UNU Council and the UNU Rector had discussed the issue and considered ceasing the negotiations in the case of unsatisfactory negotiations leading to unsound and unsustainable funding. The stipulations were set out precisely to rule out financial constructions such as this, which are expected to lead to institutes suffering financially.

73. **The Board recommends that UNU establish new institutes only if the agreements comply with the stipulations set out to ensure financial sustainability for the medium and long term.**

74. UNU agreed with the recommendation.

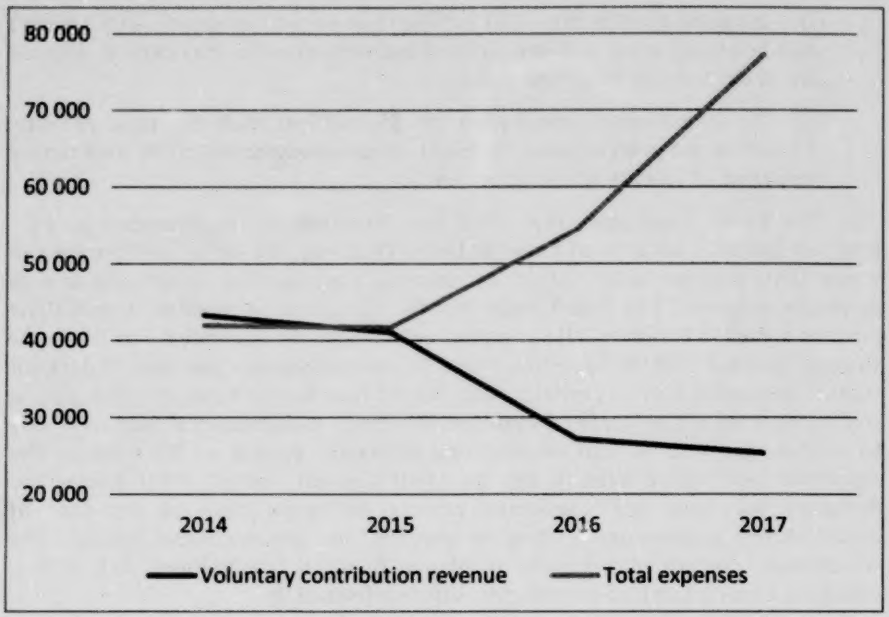
Management of funding challenges

75. The UNU Rector reports annually to the UNU Council on the implementation of the strategic plan. According to the draft proceedings of the sixty-eighth session of the Council as of December 2017, recent experiences in the area of institutional development led the UNU Rector to conclude that UNU should consider reducing the number of existing UNU institutes by closing those institutes that have fragile funding models. Some UNU institutes are struggling with donors not fulfilling their financial pledges, and others have complex or one-sided funding schemes. For two UNU institutes, UNU provided analyses on the critical financial and fundraising situation for the Council session in December 2017. On that basis, the Council discussed the closing of a UNU institute.

76. The Board shares the perception that sound funding, particularly for UNU institutes, is one of the main challenges UNU is currently facing. The Board observed that the revenue received by UNU institutes from voluntary contributions reduced from $43.3 million in 2014 to $25.4 million in 2017. In 2017, UNU institutes covered 33 per cent of their expenses through voluntary contributions, while in 2014 voluntary contribution revenue amounted to 103 per cent of total expenses (see figure below). In 2016 and 2017, UNU institutes benefited from investment revenue.

United Nations University institutes: development of voluntary contribution revenue and total expenses, 2014–2017

(Thousands of United States dollars)



Source: UNU financial statements, 2014–2017.

77. The Board is concerned about the financial sustainability of UNU institutes. The recent developments showed that they were not able to cover their expenses through voluntary contribution revenue. In the long run, to rely on investment revenue is not an option because of its high volatility. The UNU strategic plan also stipulates that institutes within the UNU system need sufficient funding to ensure financial sustainability over the medium and long term.

78. The Board appreciates that UNU has addressed the financial challenges faced by institutes in the current strategic plan by taking steps, for example, establishing benchmarks and indicators and conducting peer reviews. However, the Board considers it necessary that UNU comprehensively analyse the financial situation of each UNU institute, similar to as it did in the reports on specific UNU institutes issued for the most recent UNU Council session, in 2017. While doing so, improved benchmarks and indicators, peer reviews and an optimized structure for specific programme contributions should be taken into account. On the basis of such a funding analysis, UNU could assess the financial sustainability of each UNU institute and consider closing down UNU institutes without a sound medium-term and long-term funding outlook.

79. **The Board recommends that UNU conduct a comprehensive analysis of the financial situation of all UNU institutes.**

80. **Furthermore, the Board recommends that UNU determine specific steps to strengthen the financial sustainability of the UNU system.**

81. UNU agreed with the recommendations and stated that the analysis would be implemented progressively, while focusing first on those institutes that are the least financially stable.

4. Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat

82. The Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25, annex) was issued on 9 September 2016 to promote a culture of integrity and honesty within the Organization by providing guidance and information on how the Secretariat acts to prevent, detect, deter, respond to and report fraud and corruption.

83. UNU has adopted the Framework and has put it on its website, together with answers to frequently asked questions on the Framework.

84. Pursuant to paragraph 20 of the Framework, every manager is responsible for identifying and mitigating risks that might affect the operations under his or her responsibility. This includes undertaking systematic fraud risk assessment (known fraud risks, potential fraud schemes, control gaps, red flag indications and mapping). Pursuant to paragraph 22 of the Framework, fraud and corruption awareness components are to be included in training programmes for the staff. Paragraph 16 of the Framework refers to the Secretary-General's bulletin on protection against retaliation, which establishes internal mechanisms for reporting misconduct within the Secretariat.

85. It is stated on the UNU website that all UNU staff and personnel have the duty to promptly report any reasonably suspected case of fraudulent and/or corrupt practices to the Rector, their supervisors or heads of units, the UNU Director of Administration, the Chief of Human Resources or the Office of Internal Oversight Services (OIOS).

86. The Board noted that UNU management did not identify or address fraud and corruption risks in its risk register. Furthermore, UNU did not offer any training sessions on anti-fraud and anti-corruption issues, other than providing the link to the "Ethics and Integrity at the United Nations" online training course on the webpage on the frequently asked questions about the Framework. Specific roles and responsibilities have not been assigned to managers at different levels of the hierarchy for preventing and managing fraud and corruption. A mechanism on how to respond to reported misconduct is not in place.

87. The Board further noted that UNU did not establish channels to report supposed misconduct to a person designated with the task of taking the matter forward in the way that the Secretary-General's bulletin on protection against retaliation did for the Secretariat. It is not sufficient to mention several staff members and OIOS as potential recipients on the website, as UNU did.

88. The Board is therefore of the view that UNU has not yet fully implemented the Anti-Fraud and Anti-Corruption Framework.

89. **The Board recommends that UNU fully implement the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat.**

90. UNU agreed with the recommendation to fully implement the Anti-Fraud and Anti-Corruption Framework. Nevertheless, UNU wished to highlight that the University had limited resources and would be leveraging the work of the Secretariat and other United Nations entities to implement the Framework.

5. Information and communications technology management

Information and communications technology strategy

91. UNU consists of the UNU Centre and 13 UNU institutes and programmes worldwide. According to the approved UNU work programme and budget estimates for the biennium 2016–2017, the University Council sets out the principles and

policies of UNU and oversees the University's operations. The Rector is the chief academic and administrative officer of UNU. The Rector is responsible, inter alia, for the direction, organization and administration of UNU in accordance with the general policies and criteria formulated by the UNU Council. The UNU Centre assists the Rector, inter alia, in managing the funds in accordance with the approved budget. The UNU Centre and the UNU institutes carry out the University's academic programme.

92. According to the UNU organizational chart for 2018, the Centre and the UNU institutes report to the Rector. There is no reporting line from the UNU institutes to the UNU Centre. The Office of the Rector is part of the UNU Centre. The Campus Computing Centre, which is responsible for information and communications technology (ICT) matters, belongs to the Office of the Rector.

93. A document on ICT management in UNU, issued on 28 February 2018, describes the following:

(a) ICT tends to be viewed within the context of each UNU institute in which it is in use. Historically, budgets governed ICT, resulting in a tendency for UNU institutes to view it as a local concern;

(b) While UNU institutes have every right to manage their budgets, the local approach would result in the establishment of local silos, which would pose risks to cost-effectiveness and ICT security across UNU, such as:

(i) The lack of awareness of ICT initiatives resulting in duplication of effort, waste of resources and difficulties in responding appropriately to cybersecurity threats;

(ii) The lack of participation in core initiatives, such as the use of Microsoft Office 365 as a unified collaboration tool, hampering collaboration between UNU staff;

(iii) The absence of a standard baseline for technology and ICT practices hindering the deployment of new initiatives;

(iv) Difficulties in combining purchasing power resulting in lower savings.

94. To mitigate those risks, the Campus Computing Centre attempted to develop lines of communication in ICT matters between the UNU Centre and UNU institutes through a global ICT workshop. Furthermore, the Campus Computing Centre conceived the global office initiative to harmonize the technology used across UNU while leveraging the size of the global organization procurement services.

95. Under the global office initiative, the Campus Computing Centre provided services to UNU institutes. The Board noted that the services ranged from a full support agreement, where the Campus Computing Centre was responsible for all ICT in a UNU institute, to a limited support agreement, where the Campus Computing Centre acted as a backup to the ICT team of a UNU institute. As a result, the majority of UNU institutes participated through agreements with the Campus Computing Centre to a certain degree. If the UNU institute's management changed, it would sometimes be necessary to renegotiate those agreements. The lack of participation by some UNU institutes continued to hamper the implementation of the initiative. A key factor was that participation in the initiative was optional. The Campus Computing Centre had no mandate to impose ICT initiatives on institutes.

96. The document on ICT management in UNU concludes that:

(a) The biggest ICT challenges across UNU are coordination and standardization;

(b) With the establishment of a formal ICT governance or supervisory framework, those challenges would be addressed in such a way that the Campus

Computing Centre would be able to oversee ICT operations in UNU institutes. UNU institutes would define their agenda on the basis of their own needs or mandate, but through a formalized relationship with the Campus Computing Centre. This would reduce the need to renegotiate agreements on a semi-regular basis. Furthermore, UNU institutes could produce ICT workplans based on shared objectives. These workplans could reflect the shared objectives and items specific to UNU institutes. This would increase the visibility of ICT initiatives across UNU, reduce duplication of efforts and provide a kind of peer review currently unavailable.

97. The Board noted that in the course of 2018, several key meetings would take place to make progress on a number of organization-wide matters, including ICT governance. For instance, a draft ICT governance paper was planned to be discussed at a UNU management group meeting at the end of March 2018. The UNU Rector chaired the meeting, which was also attended by the Senior Vice-Rector, the Vice-Rector, the Director of Administration and the Executive Officer. Further meetings envisaged were a global workshop at the end of May 2018, the orientation of new directing personnel in December 2018, the 2018 session of the Conference of Directors and the seventieth session of the University Council.

98. The Board is of the view that the decentralized approach at UNU poses risks for the cost-effectiveness and security of ICT. Since it is up to the UNU institutes to what extent they enter into service agreements with the Campus Computing Centre, these risks would possibly increase in the future.

99. The Board acknowledged the efforts made by the Campus Computing Centre to mitigate the consequences of the decentralized approach through ICT global workshops and the global office initiative. The Board emphasizes that UNU would benefit from an ICT governance framework that ensures that its ICT infrastructure promotes its corporate strategies and objectives. Furthermore, an ICT governance framework for UNU should strengthen the position of the Campus Computing Centre in such a way that risks posed by the decentralized ICT approach of UNU will be reduced.

100. **The Board recommends that UNU establish an ICT governance framework adjusted to its needs and objectives as soon as possible. The ICT governance framework should not seek to restrict the academic programme of the UNU institutes, but should allow for far-reaching and effective coordination and standardization across UNU in ICT matters.**

101. UNU agreed with the recommendation. Efforts were currently under way to put in place a University-wide ICT governance framework. This framework would highlight the importance of communication and collaboration across ICT departments so as to increase coherence and cost efficiency and reduce risks. However, UNU believed that a degree of decentralization remained necessary to meet the University's needs and achieve its objectives. The ICT framework would detail those areas where greater decentralization was possible and beneficial. A first draft was expected by December 2018.

102. UNU pointed out that the document on ICT management in UNU of 28 February 2018 had not yet been reviewed by UNU management, and therefore did not reflect the current, consolidated views of the University with regard to ICT management. Nevertheless, UNU recognized the importance of an ICT governance framework and would be working with the Campus Computing Centre and ICT professionals across UNU to develop the framework.

Security awareness

103. An internal document of the UNU Campus Computing Centre on the Centre's risk register, issued in December 2017, itemizes system-wide data breach as a risk. The risk definition reads "Multiple users within the organization falling prey to a wide-ranging phishing (or social engineering) attack". In the risk register, the residual risk is assessed as high, since the internal control "user education" was characterized as "ineffective". The risk response would be "user education".

104. In general, social engineering can be defined as the use of deception to manipulate individuals into divulging sensitive or personal information that may be used for fraudulent purposes.

105. Regarding user awareness, UNU guidelines, policies and seminars offer information about ICT security and social engineering, including the following:

(a) The UNU information security policy provided on the intranet page did not refer to social engineering;

(b) The UNU cybersecurity protection policy mentions phishing attacks. User education and awareness would become key in the UNU defence strategy to prevent fraud, data breaches and identity theft online. As part of security awareness training, the Campus Computing Centre stages simulated phishing drills. The drill was staged most recently in 2017;

(c) An ICT security awareness seminar held in May 2017 included the topic "How to spot a phishing mail". Participation was on a voluntary basis;

(d) The intranet site "Security is not complete without you" offers "simple steps to avoid being phished";

(e) In the new employee's guide to UNU ICT services of March 2017, new users are asked to familiarize themselves with the UNU acceptable use policy, which does not explicitly provide advice on social engineering. Furthermore, the new employee's guide recommends that new users visit the ICT policy documents intranet page for information on security when they "have a spare moment".

106. The Board noted that UNU did not request users to confirm that they had taken note of the University's policies on ICT security. Whether users benefit from the information offered is up to them.

107. A survey carried out by the Campus Computing Centre in 2017 gives an impression of user awareness. Out of 30 UNU ICT users asked, 10 participated in the survey. According to the summary provided by the Campus Computing Centre, users felt "somewhat happy with training" and "somewhat prepared to prevent security incident", and claimed "to be somewhat informed of UNU security guidelines".

108. In the Board's view, inappropriate user behaviour related to ICT security can damage the University's business and reputation seriously.

109. The Board acknowledges the University's efforts to strengthen the knowledge of users about ICT security, notably social engineering and phishing. UNU should continue these efforts. However, in the light of how UNU ICT users feel about their awareness and the UNU recommendation to new employees to visit the intranet page on ICT policy documents for information on security in spare moments, if at all, these efforts appear not to be sufficient. UNU has to intensify its efforts so as to ensure that all UNU ICT users benefit from available ICT security information. UNU ICT users should be able to recognize threats to ICT security and know how to deal with them.

110. In the Board's opinion, UNU ICT users could benefit from the online course on the website of the Department of Safety and Security of the Secretariat on information

security awareness. The foundational course is mandatory for United Nations ICT users and covers seven key areas. An assessment needs to be taken following completion of the course in order to obtain the information security awareness — foundational certificate.

111. The Board noted that, in the view of UNU, the information security awareness training course of the Secretariat was not mandatory for UNU ICT users. However, the Board holds that the completion by all UNU ICT users of the training course is a valuable and necessary complement to the University's efforts. In this way, the residual risk of the system-wide data breach indicated in the Campus Computing Centre internal risk register of December 2017 could be mitigated.

112. **The Board recommends that UNU make sure that all UNU ICT users, in particular new personnel, complete the information security awareness training course of the Department of Safety and Security of the Secretariat as soon as possible.**

113. **The Board recommends that UNU request all UNU ICT users to submit their information security awareness — foundational certificates after completion of the course to the UNU human resources services.**

114. UNU agreed with the recommendation and stated that it would inform personnel of the need to complete the information security awareness training course and to submit their certificates to human resources.

Information sensitivity

115. According to the UNU intranet site on ICT policies and guidelines, the UNU information sensitivity policy is aligned with the policy in effect at the Secretariat, as described in the Secretary-General's bulletin on information sensitivity, classification and handling (ST/SGB/2007/6). Furthermore, the UNU intranet site underlines that institutional data "is a vital asset that is owned by UNU and supports the mission and operation of the university. It is likely that some institutional data will be distributed across multiple units of the university, as well as entities outside. Institutional data must be protected with data security measures commensurate with data value, sensitivity, and risk throughout the lifecycle of organizational information and information processing facilities".

116. Secretary-General's bulletin ST/SGB/2007/6 provides, inter alia, classification principles and the "confidential" and "strictly confidential" classification levels for sensitive information.

117. The Board noted that UNU had not yet assessed the sensitivity of documents it received from and sent to third parties. Therefore, it did not know which documents were confidential or strictly confidential.

118. **The Board recommends that UNU assess the sensitivity of data it receives from and sends to third parties in accordance with the classification principles stipulated in ST/SGB/2007/6 and make sure that sensitive information is appropriately protected.**

119. UNU concurred with the recommendation.

6. Safety and security

120. The goal of the United Nations security management system is to enable the effective and efficient conduct of United Nations activities while ensuring the security, safety and well-being of staff.

121. The framework for accountability for the United Nations field security management system defines the responsibilities for safety and security measures in the United Nations. Pursuant to this document, the primary responsibility for the security and protection of personnel employed by the United Nations system organizations (not limited to United Nations staff according to the appropriate staff rules) rests with the host Government. However, in the case of international organizations and their officials, the Government is considered to have a special responsibility under the Charter of the United Nations or special agreements.

122. The Secretary-General is the chief administrative officer of the Organization. One of the Secretary-General's tasks is to ensure the overall safety and security of United Nations personnel, premises and assets. The Under-Secretary-General for Safety and Security represents the Secretary-General on all security-related matters. The Under-Secretary-General is responsible for the executive direction and control of the United Nations security management system and for the development of security policies, practices and procedures. The Under-Secretary-General coordinates with the United Nations organizations to ensure implementation of, compliance with and support for security aspects of their activities. The Under-Secretary-General is the head of the Department of Safety and Security of the Secretariat.

123. The Rector of the United Nations University is the designated official in Japan. The Rector is accountable for the security of United Nations personnel and their dependants. The Rector is also responsible for ensuring that the goal of the United Nations security management system is met at the duty station. The country security focal point for Japan and wardens of different agencies in Japan support the designated official. The country security focal point and the UNU warden are personnel of UNU.

Security clearance

124. Pursuant to administrative instruction UNU/ADM/2014/1, all travel arrangements in UNU should be finalized as far in advance of the official travel as possible. For this purpose, UNU staff and personnel service agreement holders are required to complete the duty travel plan. This includes the completion of the mandatory security training courses of the Department of Safety and Security and the requirement to obtain the Department's security clearance before travel. Travellers other than UNU staff and personnel service agreement holders announce their travel by email or other means of communication. Therefore, those persons are not required to obtain the necessary security certificates and clearances of the Department of Safety and Security.

125. UNU provided the Board with a list of 140 instances of UNU official travel in 2017. Out of 140 travellers in 2017, 60 were neither UNU staff nor personnel service agreement holders. Therefore, the Department of Safety and Security was not informed about this travel. From the remaining 80 instances of official travel of UNU staff and personnel service agreement holders, the Board chose 20 instances and requested the appropriate security clearances.

126. Of the 20 requested security clearances for staff and personnel service agreement holders, 10 were not recorded in the security system. For 2 of the remaining 10 entries for official travel, the travel request information processing (TRIP) system clearance did not include the complete travel route.

127. The UNU Institute for the Advanced Study of Sustainability (UNU-IAS) also provided a list of all travel undertaken in 2017. Of the 650 travellers in 2017, 377 were neither UNU staff nor personnel service agreement holders. Therefore, the Department of Safety and Security was not informed about the travel of more than half of the travellers (even when travelling to high-risk regions).

128. Of the 60 security clearances for UNU staff and personnel service agreement holders that the Board requested from UNU-IAS, 32 were not recorded in the security system. Therefore, the Department of Safety and Security was not informed about the travel.

129. **The Board recommends that UNU check randomly, preferably in advance of the planned travel, whether a security clearance was obtained.**

130. **Additionally, the Board recommends that UNU determine how travellers other than UNU staff and personnel service agreement holders should announce the necessary security clearances.**

131. UNU agreed with the recommendations.

Security plans

132. The Department of Safety and Security regional office in Beijing, China, developed, in coordination with the United Nations country security focal point for Japan, the country-specific security plan for Japan. The aim of the plan is to provide an instructive document to ensure the safety and security of all United Nations personnel and eligible family members. In addition, the security risk management process for Japan evaluates the country-specific risks.

133. UNU assessed its own preparedness for safety- and security-related incidents in a minimum operating security standards self-assessment, issued in 2016. Specific UNU documents describe different aspects in this area, as follows:

(a) The emergency evacuation guide and the evacuation procedures for the UNU headquarters building in Tokyo describe how to evacuate the UNU building in case of different emergencies;

(b) The emergency evacuation guide identifies the officer-in-charge of the emergency management team, the officer's deputies and the floor wardens;

(c) The UNU business continuity plan describes measures to ensure staff safety and security as well as to maintain the continuity of key functions during a critical incident of any nature;

(d) The UNU emergency response plan lists the actors, processes, command chain and responsibilities during and immediately after the occurrence of an emergency.

134. UNU headquarters provided the Board with the above-mentioned documents. The Board analysed them and noted the following weaknesses:

(a) The UNU emergency response plan has been in draft status for years. Its implementation is planned but is still pending. The plan has never been tested but has been updated (the latest update was in January 2018);

(b) The UNU business continuity plan has also been tentative for years. The plan was neither approved by the Rector, nor activated, nor tested, nor updated. The business continuity plan does not include a disaster recovery plan as required by industry standards. A disaster recovery plan is a set of human, physical, technical and procedural resources to recover, within a defined time and cost, ICT services interrupted by an emergency or disaster.

135. The Board holds that without an emergency response plan or a business continuity plan, UNU has no instructions on how to maintain key functions during a critical incident or how to continue business in case of interruption by an emergency or a disaster.

136. **The Board recommends that the UNU Centre activate, test and update the emergency response plan and the business continuity plan as soon as possible.**

137. **Furthermore, the Board recommends that the UNU Centre include a disaster recovery plan in the business continuity plan.**

138. UNU agreed with the recommendations.

Preparedness for incidents

139. The security risk management process for Japan requires that United Nations personnel need to be provided with the country-specific security orientation package for Japan, which includes:

(a) An extract of the country security plan;

(b) The safety and security standard operating procedures for Japan;

(c) A copy of current mitigating measures;

(d) A contact card containing the telephone numbers of the emergency response services and the police;

(e) The country post-exposure prophylaxis (PEP) protocol, which should specify PEP custodian arrangements, the location of PEP kits and procedures for obtaining assistance.

140. According to the information provided by UNU, this package is not provided to UNU personnel.

141. UNU performs one building evacuation drill and safety equipment training session per year. After the evacuation drill, personnel are invited to participate in an earthquake simulation, training on extinguishing a fire or first aid. These evacuation drills and training sessions are on a voluntary basis only and are always pre-announced to the personnel. The audit team participated in the drill performed in 2018. During the drill, the Board was informed by people inside the building that they would not evacuate. The Board further noted that some people used the elevators during training and not the emergency stairs. An emergency door on the fourth floor could not be opened without breaking the seal.

142. The Board noted that only mandatory training, in combination with drills that were also mandatory and not pre-announced, could reflect the preparedness of the United Nations personnel for emergency situations seriously.

143. The minimum operating security standards require that at least one staff member in each office be trained in first aid. According to the information provided by UNU in March 2018, UNU has no overview of personnel having up-to-date training. The participation in first aid training during building evacuation drills is only on a voluntary basis and is not recorded.

144. On the basis of demand notes of the Tokyo Metropolitan Government, UNU is required to store water, emergency food, blankets and emergency toilets for three days. UNU plans to store these emergency items for 200 people. UNU most recently conducted verification of these supplies on 18 January 2018. The actual stock of UNU varies between 23 per cent and 63 per cent of the recommended quantity. Three quarters of the verified emergency food expired in June 2016.

145. The Board noted that the current stock of emergency supplies was insufficient. UNU expects a subsidy from the municipality after spring 2018 to fill its emergency stock.

146. **The Board recommends that UNU plan mandatory safety and security training sessions and perform mandatory emergency drills for all United Nations personnel inside the UNU headquarters building to ensure the preparedness of UNU and the effectiveness of its systems and procedures to deal with emergency situations. Emergency drills should not be pre-announced.**

147. UNU agreed with the recommendation to organize emergency drills both with and without pre-announcements.

148. **Additionally, the Board recommends that the UNU Centre strengthen its efforts to enhance the quantity of stock of emergency supplies. The minimum stock should be in line with recommendations given by the Tokyo Metropolitan Government.**

149. UNU agreed with the recommendation and noted that it was taking appropriate measures to address the shortage of supplies.

150. **Furthermore, the Board recommends that UNU provide all UNU personnel (including consultants and students) in Japan with the country-specific security orientation package for Japan.**

151. UNU agreed with the recommendation and stated that it would reorganize the necessary documents on the UNU intranet and make them easily accessible to all UNU personnel, including consultants and students.

Major building repairs and replacements

152. On 11 March 2011, an undersea megathrust earthquake with a magnitude of up to 9.1 occurred. Known as the Great East Japan Earthquake, it was the most powerful earthquake ever recorded in Japan and the fourth most powerful earthquake recorded in the world since modern record-keeping began in 1900. In February 2014, the National Police Agency of Japan reported that 127,290 buildings had totally collapsed, 272,788 buildings had "half collapsed" and another 747,989 buildings had been partially damaged. The UNU headquarters building was damaged but did not collapse. The risk of another major earthquake occurring in the Tokyo area within the next 30 years is estimated at 70 per cent.

153. The UNU headquarters building is owned by the Government of Japan (Ministry of Education, Culture, Sports, Science and Technology) and is used by UNU free of charge. UNU bears the costs for maintenance and reasonable care of the building and its furnishings and equipment. The contributions from the tenant agencies located inside the UNU headquarters building are part of the UNU building budget, which covers these costs.

154. Pursuant to article II (3) (3) of the agreement between the United Nations and Japan regarding the headquarters of the United Nations University, the Government of Japan is responsible for the prevention and repair of structural damage of the building. UNU is, inter alia, responsible for maintenance. The Ministry of Education, Culture, Sports, Science and Technology also provides funds for the maintenance of the core facilities of the building.

155. On the basis of the information the Board received during the audit in March 2018, UNU has two major areas for repair and replacement in its building: the replacement of the obsolete fire detection system; and, on the basis of a major risk in the case of an earthquake, the reinforcement of ceilings in rooms such as the entrance hall and the two large conference rooms. This includes the replacement of electricity cables and pipes.

156. In 2017, UNU contracted the original building architect to conduct a comprehensive damage and degradation assessment of the headquarters building.

UNU stated that the assessment had been delivered to UNU on 31 March 2017 and officially shared with the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Foreign Affairs of Japan. The assessment included a medium-term and long-term repair plan for the headquarters building, with extra attention being given to repairs required to ensure the safety and security of personnel in the building.

157. UNU also stated that the Ministry of Education, Culture, Sports, Science and Technology had developed a five-year repair plan for the headquarters building in close consultation with UNU. However, UNU had been informed by the Ministry that the implementation of the repair plan was dependent on the availability of funds, determined in annual budget cycles. For budgetary reasons, the Ministry would not be able to undertake the full repairs to the UNU building all at once.

158. UNU informed the Board that for 2018 and 2019, the Ministry had agreed to conduct two major repairs: the replacement of the fire detection system ($0.5 million); and anti-seismic construction work on the ceiling of the main entrance to the building ($0.5 million). Those repairs would be carried out by vendors selected, contracted and paid directly by the Ministry. UNU further stated that the host Government had not been able to guarantee that work would be undertaken to ensure "the prevention and repair of structural damage of the headquarters building" beyond 2019.

159. **The Board recommends that repair and maintenance measures at the UNU headquarters building that are needed to ensure the safety and security of personnel and other people using the facilities be prioritized.**

160. UNU concurred with the recommendation.

7. Travel management

161. Official travel of United Nations personnel is defined in rule 7.1 of the Staff Rules of the United Nations. The administrative instruction on official travel (ST/AI/2013/3, ST/AI/2013/3/Amend.1, ST/AI/2013/3/Amend.2 and ST/AI/2013/3/Amend.3) regulates the official travel of staff members, eligible family members and all other authorized United Nations travellers. In addition, section VI of General Assembly resolution 67/254 A governs the standards of accommodation for air travel. The system of daily subsistence allowance is defined in administrative instruction ST/AI/2014/2.

162. On the basis of the above-mentioned documents, the UNU Rector approved UNU administrative instruction UNU/ADM/2014/1 on 11 November 2014. Additionally, UNU provides a document with questions and answers on the UNU intranet that was most recently updated on 12 April 2017.

163. Pursuant to paragraph 3.2 of the UNU administrative instruction, all travel arrangements at UNU should be finalized as far in advance of the official travel as possible. UNU staff and personnel service agreement holders are required to complete and submit the duty travel plan before commencement of the travel. The duty travel plan form covers the travel request, estimated travel costs, authorization and travel confirmation certification. Travellers other than UNU staff and personnel service agreement holders announce their travel by email or other means of communication. Students are not included specifically in the UNU administrative instruction, but belong to the group of consultants.

164. The Board noted that the format of the announcement varied. Therefore, the different forms of travel announcement led to an avoidable administrative workload for the UNU travel management. No sufficient justification was provided as to why the announcement of official travel of people other than staff and personnel service agreement holders should not be done in the same way as that of staff and personnel service agreement holders.

165. Additionally, the Board noted that the duty travel plan annexed to administrative instruction UNU/ADM/2014/1 differed from the version provided on the UNU intranet (for example, concerning the confirmation of health).

166. Pursuant to the UNU administrative instruction, the total costs of UNU travel consist of the following:

(a) Airfare or costs of other means of transportation;

(b) Terminal expenses for travelling between the airport and hotel or place of business and vice versa;

(c) Daily subsistence allowance;

(d) Miscellaneous travel expenses.

167. Paragraph 9 of the administrative instruction defines which miscellaneous travel expenses may be reimbursed by UNU. The reimbursement shall normally be limited to:

(a) Local transportation from one place of business to another;

(b) Telephone and other forms of communication;

(c) Space, equipment and services;

(d) Transportation or storage of authorized baggage or property;

(e) Baggage fees of airlines;

(f) Passport and visa fees.

168. Section 4.4 of the questions and answers document on the UNU intranet gives general approval for further costs. Pursuant to this document, costs for early check-in and late check-out can be reimbursed, as well as costs for meals and (not more detailed) incidental expenses on the days when no daily subsistence allowance is paid.

169. During the audit of UNU-IAS, the Board noted that the general approval led to additional payments such as costs for vaccinations, sweets and travel insurance that includes compensation in the event of death, injury or illness (in opposition to staff rule 7.11 and paragraph 9.1 of administrative instruction UNU/ADM/2014/1).

170. Paragraph 4.2 of administrative instruction UNU/ADM/2014/1 states that, pursuant to staff rule 7.6 (f), the normal route for all official travel should be the most economical route available, provided that the total additional time of the whole journey does not exceed the most direct route by four hours or more. In opposition to this, section 3.4 of the questions and answers document gives the general approval to take the most direct full-service flight at the lowest possible cost. The Board is of the view that this may lead to unnecessary costs if the indirect flight exceeds the total time of travel by less than four hours.

171. A questions and answers document can only clarify the administrative instruction approved by the Rector. No sufficient justification was given as to why payments that go beyond the framework of the administrative instruction could be regulated by a questions and answers document.

172. Pursuant to paragraph 5.4 of the UNU administrative instruction, the traveller has to report for duty within 12 hours upon arrival if using economy class and within a reasonable time (4 hours) if using business class. According to UNU, the compliance of UNU travel with this regulation was never checked by the travel management and was not declared by the traveller.

173. Pursuant to paragraph 11 of the UNU administrative instruction, staff members shall be required to file the travel confirmation certification within one month after completion of travel.

174. In 2017, the personnel of UNU-IAS undertook official travel on 650 occasions. For these instances of travel, the Board noted the following weaknesses:

(a) For 25 out of the 650 instances of travel, the completion of the travel was not confirmed;

(b) For 27 instances of travel, travellers confirmed the completion of the travel prior to the travel end date;

(c) For 12 instances of travel, travellers confirmed the completion of the travel later than one month after the travel end date.

175. **The Board recommends that UNU-IAS ensure that travellers report their travel completion within one month after the travel end date.**

176. **The Board recommends that UNU update its administrative instruction for travel on the basis of the relevant United Nations rules and administrative instructions and taking into account lessons learned since the administrative instruction has been implemented. The updated administrative instruction should cover travel issues that turned out to be general cases for enhancing transparency and giving staff clear guidance. The updated administrative instruction should also include the current version of the duty travel plan.**

177. UNU agreed with the recommendations.

178. **Additionally, the Board recommends that UNU use the most economical route available as the standard route for all official travel pursuant to staff rule 7.6 (f).**

179. **Furthermore, the Board recommends that UNU randomly review the requirement on reporting for duty in paragraph 5.4 of the UNU administrative instruction.**

180. **In addition, the Board recommends that UNU determine that travellers other than staff and personnel service agreement holders can announce all their travel using a formal duty travel plan to facilitate the administrative work process.**

181. UNU stated that the three recommendations (standard of travel, reporting for duty and use of the duty travel plan form) would be considered in the context of the update of the administrative instruction on travel, bearing in mind the unique operating environment of a university and the challenges involved in securing the participation of high-level and/or eminent personalities for events organized by UNU.

8. Personnel service agreements and consultant and individual contractor contracts

Consultants

182. UNU defines a consultant as an individual who is a recognized authority or specialist in a specific field, engaged under temporary contract in an advisory or consultative capacity to UNU. A consultant must have special skills or knowledge not normally possessed by the regular staff of UNU and for which there is no continuing need in the University (see UNU/ADM/2004/01, para. 2 (a)). The contractor shall be required to perform specific, results-oriented functions within a prescribed time frame consistent with the workplan of the office concerned (see personnel policy of the United Nations University, annex II, para. 19; and UNU/ADM/2004/01, para. 3.4).

183. Consultants may be paid at a daily, weekly or monthly rate, or on a lump-sum basis representing the total value of the services rendered to the University (see UNU/ADM/2004/01, para. 3.5). Payment of fees established on a lump-sum basis shall normally take place upon certification by the authorized official of satisfactory completion of the work (ibid., para. 3.7).

184. The entire transaction must be documented in a comprehensible and fully justifiable form that will bear successful examination by the auditors who examine UNU records (ibid., para. 6).

185. The services of a consultant shall be limited to 24 months of accrued service within a period of 36 calendar months (see personnel policy, annex II, para. 20).

186. The restrictions on the employment of former staff members who are in receipt of a pension from the United Nations Joint Staff Pension Fund are stated in administrative instruction ST/AI/2013/4. They derive from General Assembly resolutions and are therefore enforceable for UNU. Pursuant to paragraph 3.9 of ST/AI/2013/4, the fees payable to a former staff member shall be based on the nature and complexity of the assignment performed. Paragraph 3.10 of ST/AI/2013/4 stipulates that a retired staff member who is in receipt of a benefit from the United Nations Joint Staff Pension Fund:

(a) May not be hired for more than six months per calendar year;

(b) May not receive more than $22,000 per calendar year in emoluments from the United Nations common system.

187. The Board identified three cases of consultants who have gained a considerable amount of special expertise resulting from their careers at a senior level in the United Nations system or as an ambassador of a Member State. Their contracts lack several of the criteria mentioned above, as follows:

(a) A consultant had several contracts in a row from 2003 to date. The latest contract covers the entire year 2018. The terms of reference or work assignment are listed solely as: "as UNU Legal Adviser, to provide expert advice on legal matters, as required". There are no further descriptions, milestones or requirements.

The vendor retired from UNU about 15 years ago. He was the senior legal adviser and is in receipt of a benefit from the United Nations Joint Staff Pension Fund. One aim of the contract is to support the current legal officer of UNU. The fee per annum is $22,000. Additionally, a lump sum for expenses of $1,500 is granted. $11,000 is paid in advance upon signature of the contract, and the rest upon satisfactory completion of the work. Although not bound by the contract, the consultant drew up reports on the activities and work accomplished at the end of each year;

(b) A consultant had served as Executive Officer and Vice-Rector until his retirement in March 2017. He is in receipt of a benefit from the United Nations Joint Staff Pension Fund. His first consultant contract was from 1 April 2017 until the end of 2017. The second contract covers the entire year 2018. The terms of reference or work assignment are listed as: "supporting and advising on matters relating to UNU institutional development and in relation to the management of UNU institutes and programmes, providing the office of the Rector with historical institutional knowledge on UNU and its institute and programmes, as required". There are no further descriptions, milestones or requirements. The consultant is bound to hand in an annual report of activities undertaken. The fee per annum was $22,000; additionally, a lump sum for expenses of $1,500 is granted. $11,000 is paid in advance upon signature of the contract, and the rest upon satisfactory completion of the work. The consultant handed in an activity report for 2017;

(c) A consultant, who is a former ambassador of a Member State to the United Nations Educational, Scientific and Cultural Organization (UNESCO), has been serving continuously as a representative of the Rector of UNU to UNESCO in Paris, France, since September 2013, with one break from November 2017 until February 2018. The terms of reference or work assignment are to provide the representation function of UNU to increase awareness of the mission and activities of UNU at UNESCO headquarters. Activities would be selected in consultations with the Rector of UNU. There are no further descriptions, milestones or requirements. The consultant is not bound to hand in an annual report of activities undertaken.

Beginning with a monthly fee of €1,500, he received €1,800 per month as from 2014. As from March 2018, €2,000 per month was agreed. The fee shall be paid at the end of each month upon satisfactory performance.

Additionally, the consultant is awarded a one-time honorarium of €10,000 for every successful conference organized by him, up to twice a year. The maximum amount of €10,000 for the expenses incurred for every conference is reimbursed upon submission of the original receipt.

188. The Board acknowledges that UNU needs the special skills and knowledge in the fields in which the consultants are experts. However, consultants should not perform the functions of regular and continuing staff members.

189. With regard to the first (legal adviser) and second (historical knowledge provider) consultants, the former staff members act as seniors in the function of the post from which they retired. Even if this was done to build up the capacity of the staff members who have the posts now, the engagement of retired staff members might adversely affect the development of the current staff members. Therefore, these engagements should be restricted and eventually terminated.

190. Furthermore, the Board considers it crucial that UNU build up its own institutional memory instead of continuously being dependent on former staff.

191. The Board is of the view that the three consultant contracts do not comply with the rules of the United Nations and of UNU, as follows:

(a) The Board could not identify specific, results-oriented functions within a prescribed time frame in the terms of reference or work assignment, further description, milestones or special requirements of the three contracts as set out in paragraph 19 of annex II to the UNU personnel policy. Furthermore, the entirety of the transactions are not documented in a comprehensible and fully justifiable form, as set out in paragraph 6 of UNU/ADM/2004/01;

(b) The two contracts with retired staff members do not comply with paragraph 3.10 of ST/AI/2013/4, as the retired staff members are in receipt of a benefit from the United Nations Joint Staff Pension Fund and were hired for more than six months in a calendar year;

(c) As the two retired staff members receive exactly $22,000 per calendar year, which is the maximum of emoluments they could have received from the United Nations common system, it is not clear to the Board whether the fees are really based on the nature and complexity of the assignment performed as set out in paragraph 3.9 of ST/AI/2013/4;

(d) The two retired staff members do not receive their fees upon certification by the authorized official of satisfactory completion of the work as stated in paragraph 3.7 of UNU/ADM/2004/01. They receive $11,000 in advance upon signature of the contract and the rest only upon satisfactory completion of the work.

192. The Board emphasizes that the two retired staff members may support UNU for a short period of time to build up institutional memory and to strengthen the knowledge of current staff members. After a short period, however, UNU staff should be able to perform the tasks.

193. **The Board recommends that UNU develop its own institutional memory instead of continuously hiring former staff members as consultants for this purpose.**

194. **Additionally, the Board recommends that UNU describe specific, results-oriented functions to be accomplished within a prescribed time frame in the terms of reference or work assignment contained in its consultant contracts.**

195. **The Board further recommends that UNU document the performance of its consultants in a comprehensible and fully justifiable form.**

196. UNU agreed with the recommendations.

197. **Finally, the Board recommends that UNU limit the duration of consultant contracts for retired staff members in receipt of a benefit from the United Nations Joint Staff Pension Fund to six months per calendar year. UNU should consider calculating fees on the basis of the nature and complexity of the assignment performed by former or retired staff members.**

198. UNU agreed to calculate fees on the basis of the nature and complexity of the assignment performed by former or retired staff members. UNU also agreed that consultancy contracts for retired staff members in receipt of a benefit from the United Nations Joint Staff Pension Fund should be limited to the full-time equivalent of six months of service per calendar year.

199. The Board noted that the cumulative period of service did not exceed six months per calendar year. However, the cumulative period of service is not relevant in this case since it is stipulated in paragraph 3.10 of ST/AI/2013/4 that a retired staff member in receipt of a benefit from the United Nations Joint Staff Pension Fund may not be hired for more than six months per calendar year. Contrary to the UNU personnel policy, paragraph 3.10 of ST/AI/2013/4 leaves no room for a part-time occupation of more than six months. The reason for the limitation in paragraph 3.10 of ST/AI/2013/4 is to prevent the repeated use of the same consultant (see also ST/AI/2013/4, para. 5.8).

200. The Board therefore holds that UNU should limit the duration of consultant contracts for retired staff members in receipt of a benefit from the United Nations Joint Staff Pension Fund to six months per calendar year.

Management of personnel service agreements and consultant and individual contractor contracts

201. On 1 January 2017, UNU-IAS had a total of 110 people under personnel service agreements or consultant or individual contractor contracts. In 2017, 131 new contracts were concluded and 143 contracts were terminated. In other words, the human resources manager had to handle nearly 300 contracts in 2017.

202. For the recruitment process and contract management, UNU-IAS uses paper files. UNU-IAS issued a standard procedure for the recruitment process, which requires, among other things, the written approval of the director, the project manager and the human resources manager for any recruitment. The whole process is carried out and documented manually. The UNU Centre uses the human capital management module of the Atlas enterprise resource planning system for managing the files of staff. The module is not used by UNU-IAS for the files of holders of personnel service agreements or consultant or individual contractor contracts.

203. For financial management, UNU-IAS uses the Atlas enterprise resource planning system. To control the payments related to personnel service agreements and consultant and individual contractor contracts, UNU-IAS uses an Excel file with monthly standing orders. The data are transferred manually into Atlas.

204. The Board considers it economically reasonable to have an electronic system in place for managing the personnel files, including the recruitment processes, in the light of the quantity of nearly 300 files to be modified each year. In this way, the transparent documentation of these processes would be ensured. Furthermore, avoiding a manual transfer of financial data limits the risk of errors and the possibility of orders being tampered with.

205. **The Board recommends that UNU use an electronic system, preferably the human capital management module of the enterprise resource planning system, for managing personnel service agreements and consultant and individual contractor contracts.**

206. UNU concurred with the recommendation.

9. Procurement

207. Pursuant to UNU information circular UNU/ADM/2009/02, upon the recommendation of the Board, UNU strictly complies with the United Nations Procurement Manual.

208. Procurements of goods and services exceeding the financial threshold are required to go through a process of competitive review (see sect. 9.4, para. 1, of the Procurement Manual). The threshold is currently $10,000.

209. In information circular UNU/ADM/2011/01, UNU sets out the role of the requesting unit in planning procurement needs and defining the requirements. Delayed requisitions create false emergencies, which may be deemed as unethical behaviour. Two to four weeks is set as the minimum timeline requirement for procurement processes for goods and services with an estimated expenditure of between $10,000 and $40,000.

210. In information circular UNU/ADM/2011/02, UNU sets out allowable reasons for a waiver of competitive bidding. Emergency shall not be accepted as a reason if it is the result of poor planning. All justifications for waiver of competitive bidding shall be in writing.

211. The Board identified two purchases related to the refurbishment of the design decoration of the UNU headquarters building. The first was for the graphic design of facility signs and billboards for the UNU Sustainable Development Explorer in the amount of $8,044.33. The estimate by the seller was dated 27 November 2017 and the requisition inquiry was approved and the purchase order was released on 8 December 2017.

212. The second purchase was for the graphic design of the signage for the premises in the amount of $7,150.52. The estimate by the seller was dated 11 December 2017, the requisition inquiry was approved on 11 December 2017 and the purchase order was released on 13 December 2017.

213. The payment date for the two purchases was 19 December 2017. One payment was made for the two purchases. A justification for waiver of competitive bidding does not exist. The Board does not have information on when the requisition inquiries were sent to the procurement officer.

214. The total amount of the two purchases was ¥1.7 million (equal to $15,194.85). This amount exceeds the financial threshold of $10,000 for procuring goods and

services. However, no competitive process was carried out. In a competitive process, UNU might have obtained a better price.

215. In the Board's opinion, there was no reasonable explanation for the award of two separate contracts. There were only three days between the approval of the two requisition inquiries. Therefore, the Board considered the waiver of competitive bidding to be a result of poor planning, either on the side of the requesting unit or on the side of the procurement officer, depending on when the requisition inquiries for the procurement were handed over.

216. **The Board recommends that UNU plan procurement processes diligently and in time. In doing so, UNU should monitor the financial threshold for procurements with the utmost accuracy and prevent requesting units and procurement officers from dividing purchases in many parts, with the result of a waiver of competitive bidding.**

217. UNU agreed with the recommendation.

10. Asset management

218. An elementary requirement for financial accounting is reliable and accurate data in the appropriate modules of the enterprise resource planning system in use.

219. Pursuant to the UNU standard operating procedure for property, plant and equipment and intangible assets of 19 June 2014, the asset manager and the asset management focal point of an entity are responsible for correct and meaningful asset data. Furthermore, they are responsible for the full and prompt completion of all asset-related data in the Atlas asset management system in case of changes in location or custodian.

220. The UNU Centre in Tokyo most recently performed the physical verification exercise for all assets in April 2017. An additional verification exercise for capital assets only was conducted in December 2017, pursuant to paragraph 16 of annex III to the UNU financial closing instructions and deadlines for the year ended 31 December 2017.

221. UNU-IAS most recently performed the physical verification exercises for all assets on 16 October 2017. Prior to that, a verification of non-capital assets was performed in April 2016. An additional verification exercise for capital assets only was conducted on 12 December 2017, pursuant to paragraph 16 of annex III to the UNU financial closing instructions and deadlines for the year ended 31 December 2017.

Physical verification exercise and impairment testing of the United Nations University Institute for the Advanced Study of Sustainability in 2017

222. The verification exercise of October 2017 was conducted in conjunction with the Atlas asset management module update requested by UNU headquarters. UNU-IAS provided the Board with the final report of this exercise, which includes 471 assets in use. The Board noted the following weaknesses:

(a) Of the 471 assets, 39 were not equipped with a valid tag number;

(b) Of the 471 assets, 64 (including desktops, printers and televisions) were not linked to a serial number in Atlas. During its audit in March 2018, the Board noted that 45 assets were still not linked to a serial number in the system;

(c) Of the 471 assets, 41 had no or an insufficient model description in Atlas. Three assets still lacked a sufficient model description in March 2018;

(d) Of the 471 assets, 6 lacked the custodian information in Atlas. This information was still lacking for two assets in March 2018;

(e) UNU-IAS verified the availability of 58 software products and licences in October 2017 with an expired licence period. In March 2018, the Board still found 54 software products and licences in Atlas with an expired licence period;

(f) Of the 471 assets, only 354 (75 per cent) are linked to operating unit 611 (UNU-IAS) in Atlas;

(g) Of the remaining 117 assets, 1 is linked to the non-valid operating unit indicator 1016 and 116 assets have operating unit indicator 618, which was used by the former UNU Institute for Sustainability and Peace (UNU-ISP) in Tokyo. On 1 January 2014, the consolidation of UNU-ISP with the UNU Institute of Advanced Studies, based in Yokohama, Japan, formed UNU-IAS. After the formal transfer of the assets from UNU-ISP to UNU-IAS, the indicators were only gradually updated in Atlas. During its audit in March 2018, the Board noted that 45 assets still had indicator 618.

223. Pursuant to the instruction on physical verification of non-capital assets in UNU of 24 May 2016, the physical verification exercise for library collections shall also be conducted once every two years. Since 2014, the library in the UNU building in Tokyo has been part of UNU-IAS. UNU-IAS has not performed a physical verification exercise for the library collection since 2014.

224. **The Board recommends that UNU-IAS change the operating unit for all assets in use to 611 (UNU-IAS) at the earliest possible time.**

225. **The Board recommends that UNU-IAS add all necessary information (serial number, model description and custodian) to the assets in Atlas.**

226. **Additionally, the Board recommends that UNU-IAS not use software products or licences with an expired licence period to prevent legal action being taken by the licensor.**

227. **Furthermore, the Board recommends that UNU-IAS perform a physical verification exercise for the library collection and update the information in the library management system at the earliest possible time.**

228. UNU agreed with the recommendations. UNU-IAS underlined that it had not been mandatory until May 2016 to enter the start and expiry date of software licences in the asset management module. Therefore, the system had not recorded the licence period for some UNU-IAS software, which was updated in October 2017. From then on, the Atlas system generated a list of nearly expired software products or licences and the necessary action for these assets (renewal or disposal) in a timely manner.

229. In addition, UNU-IAS stated that it had confirmed that none of the expired software products or licences noted by the Board had been in use after their respective expiration dates.

Physical verification exercise for assets

230. UNU-IAS provided the Board with an asset management report from the Atlas enterprise resource planning system displaying the capital and non-capital assets that were in use as at 28 February 2018. The list contained 435 assets in use. On the basis of this list, the Board performed a physical verification exercise for the capital and non-capital assets in March 2018. The Board noted the following weaknesses:

(a) Of the 435 assets, 201 were not verifiable owing to intangibility or location in places other than the UNU building in Tokyo;

(b) Of the 234 remaining assets, 72 were not available at the location or did not have the tag number as shown in the asset management report;

(c) Of the 162 available assets, 7 were described as unusable and to be disposed of by the responsible personnel of UNU-IAS. Nevertheless, these assets were listed as "in use" in the Atlas system. Four assets were found at locations other than those indicated in the asset list and two lacked a tag label and could only be verified by serial number or model type.

231. The Board found 59 additional assets that were not part of the asset management report, including 4 large televisions. Out of these 59 assets, 18 had been located in Yokohama before and had been transferred to Tokyo but not inserted in the asset management report of UNU-IAS. One of the 59 assets (ICT equipment) was not tagged with a tag label.

232. Printers are information technology equipment. Therefore, UNU-IAS registers most of its printers with a profile ID for ICT equipment in Atlas. Despite that fact, the Epson printer with the asset identification number 11767 was shown as furniture, with the profile ID "NC_FURN1".

233. Items that are neither capital nor non-capital assets should not be listed in the asset management report. Therefore, these items should also not be tagged with appropriate labels. Despite that fact, the Board verified many items (ICT parts such as monitors and webcams that belong to desktop computers, and furniture with a value lower than $1,500) equipped with an unnecessary tag label.

234. **The Board recommends that UNU-IAS perform a thorough physical verification exercise to ensure the completeness of data of assets.**

235. **Additionally, the Board recommends that UNU-IAS update the location of all assets and their profile ID. Atlas should display all assets that are actually in service with status "I" (in use). Assets that are obsolete or not in use should be deleted in Atlas or their asset status should at least be changed from "in use" to "D" (disposed of).**

236. **The Board recommends that UNU-IAS tag all capital and non-capital assets in use with a valid tag label in line with the information recorded in Atlas and remove or black all tags of items that do not have to be registered in Atlas as an asset (for example, ICT parts, and furniture with a value lower than $1,500).**

237. UNU agreed with the recommendations.

C. Disclosures by management

1. Write-off of cash, receivables and property

238. UNU reported to the Board that there were no write-offs of cash, receivables and property during the year ended 31 December 2017.

2. Ex gratia payments

239. UNU reported to the Board that there were no ex gratia payments during the year ended 31 December 2017.

3. Cases of fraud and presumptive fraud

240. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or

irregularities. The primary responsibility for preventing and detecting fraud rests with management.

241. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that Management has identified or that have been brought to its attention. The Board also enquired as to whether UNU had any knowledge of any actual, suspected or alleged fraud cases. This included enquiries of the Office of Internal Oversight Services. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in the Board's report.

242. UNU reported to the Board that there were no cases of fraud or presumptive fraud during the year ended 31 December 2017.

D. Acknowledgement

243. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the officials and staff of UNU during the conduct of the audit.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

No.	*Audit report, biennium/year*	*Paragraph reference*	*Recommendations of the Board*	*UNU response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
1.	2012/2013 A/69/5 (Vol. IV), chap. II	35	Develop relevant guidelines for project management and include performance indicators, baselines and other key elements in the project plan in the future.	The new project management guidelines were approved in December 2016 by the UNU Council. Directors were briefed at a conference held in December 2016 in Tokyo, and the guidelines were distributed in April 2017.	Implemented.	X			
2.	2014 A/70/5 (Vol. IV), chap. II	35	(a) Improve the documentation practices to enhance transparency in the selection process; (b) Conduct formal evaluation of the work performed before renewal of the contract; (c) Make payment of fees on a lump-sum basis after certification by the authorized official of satisfactory completion of the work; (d) Take measures to ensure that the total duration of services does not exceed the administrative instructions issued in this regard.	Implementation is in progress; as mentioned previously, the statement of good health is an integral part of the contract and evaluation is required for the contract renewal. The administrative instruction will be sent by the target date (second quarter of 2018).	Under implementation.		X		
3.	2015 A/71/5 (Vol. IV), chap. II	14	UNU should create deferred revenue liability for the amount of future instalments which depend on fulfilment of performance obligations.	UNU disagreed with the recommendation as it is contrary to the United Nations IPSAS policy framework.	Discussions about this recommendation are ongoing. The recommendation is under implementation.		X		
4.	2015 A/71/5 (Vol. IV), chap. II	18	UNU should review the useful lives of all assets, revalue the fully depreciated assets which are still in use	The United Nations Secretariat is in the middle of reassessing the useful life of fully depreciated assets. No	Under implementation.		X		

No.	Audit report, biennium year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
			and estimate their useful lives.	report has yet been produced. It is most likely that the review will take a few more months and the result will be reflected in the financial statements for 2018.					
5.	2015 A/71/5 (Vol. IV), chap. II	31 (a)	The UNU Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) should review its fundraising strategy to develop new avenues of core funding such as multilateral funding agencies in order to put its financial health on a long-term, sound footing.	In addition to our key donors (Federal Ministry of Education and Research of Germany and State Ministry of Science and the Arts of Saxony), UNU-FLORES has taken the initiative to apply for several multilateral funds, such as from the German Research Foundation, the German Academic Exchange Service (DAAD), the European Commission (Horizon 2020 Programme) and the Belmont Forum. Some of these proposals are currently under consideration.	Implemented. Funding agreement with key donors was signed by UNU on 4 October 2017.	X			
6.	2015 A/71/5 (Vol. IV), chap. II	36	UNU should take adequate steps for proper budget planning for control and optimum utilization of its resources.	UNU has improved its budget estimates for 2017 compared with those for 2015, with both years being the second year of the biennium. The difference between final budget and actual expenditure in 2015 was 45 per cent, compared with 38 per cent in 2017. The main reason for the material differences between the final budget appropriation and actual expenditure are as disclosed in the notes to the 2017 financial statements. There were also more	Implemented (see UNU work programme and budget estimates for the biennium 2018–2019).	X			

No.	Audit report, biennium year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				stringent financing guidelines in the 2018–2019 budget formulation compared with 2016–2017, and the reinvestment of the cumulative surplus into the Endowment Fund was encouraged. Furthermore, detailed budget templates and assumptions were issued for the biennium 2018–2019 to guide budget owners on the planning process.					
7.	2015 A/71/5 (Vol. IV), chap. II	87	UNU should put in place a business continuity plan to ensure that it can continue in operation in the event of major disruptions to its normal business environment, in the interest of the organization.	The final draft version of the UNU business continuity plan has been produced.	Under implementation. The UNU business continuity plan has been tentative for years. It was neither approved by the Rector, nor activated, nor tested, nor updated. What is more, the business continuity plan does not include a disaster recovery plan as required by industry standards. A disaster recovery plan is a set of human, physical, technical and procedural resources to recover, within a defined time and cost, ICT services interrupted by an emergency or disaster.		X		
8.	2016 A/72/5 (Vol. IV), chap. II	17	UNU should separately assess for impairment, on an individual basis, significant voluntary contributions receivable on the basis of whether objective evidence of impairment exists.	UNU has included this assessment work as part of the annual financial closing procedure.	Implemented after additional discussions during the audit. UNU had not recognized the impairment of future instalments of a major voluntary contribution receivable. After recognition of an additional allowance of $33.75 million, the financial	X			

No.	Audit report, biennium/year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
					statements had to be recertified. In addition, UNU added a paragraph to the notes to the financial statements in which it stated: "The voluntary contributions receivable are reviewed annually to determine if there is any indication of impairment in value."				
9.	2016 A/72/5 (Vol. IV), chap. II	29	UNU should adjust its reference guide on the United Nations Policy Framework for IPSAS to clarify that a case-by-case assessment of all multi-year agreements is necessary to determine whether such agreements are conditional.	UNU revised and published its reference guide to the United Nations Policy Framework for IPSAS during the second quarter of 2017.	Implemented. UNU has revised its reference guide. The new wording reads: "The other UNU multi-year donor agreements are generally considered as unconditional (subject to a case-by-case technical review as explained above)". While the Board does not fully support the assumption that donor agreements are generally to be considered unconditional, the Board trusts that the case-by-case technical review would result in a correct assessment.	X			
10.	2016 A/72/5 (Vol. IV), chap. II	30	UNU should consider multi-year donor agreements to be conditional if the receipt of future instalments depends on the fulfilment of enforceable performance obligations, specifically if UNU has no experience with the donor or has not previously breached stipulations and therefore has	UNU does not agree with the recommendation as it is contrary to the United Nations Policy Framework for IPSAS. Paragraph 8.4.15 of the Framework provides that for an arrangement to be treated as conditional, the agreement must have stated performance and return obligations whose implementation is monitored,	Discussions about the recommendation are ongoing. The recommendation is under implementation.		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			no evidence that enforcement is unlikely.	with a mechanism for the tracking and recording of enforcement. These criteria are also mentioned in paragraphs 21–24 of IPSAS 23. UNU reiterates its comments that the stipulations in the agreements are not conditional, as all the criteria for conditions in paragraphs 21–24 of IPSAS 23 (substance over form) have not been fully met.					
11.	2016 A/72/5 (Vol. IV), chap. II	39	UNU should discount its long-outstanding voluntary contributions receivable.	UNU has included the review on discounting its long-outstanding voluntary contributions receivable as part of the closing procedure.	Implemented. The accounting policies were amended to read: "If deemed material, these long-term voluntary contributions receivable are reported at a discounted value calculated using the effective interest rate." As at 31 December 2017, the discounting of receivables would have reduced the receivables by $0.22 million, which management deemed to be immaterial.	X			
12.	2016 A/72/5 (Vol. IV), chap. II	45	UNU should review its internal process for creating accruals and implement internal controls to ensure that expenses are identified and accrued in appropriate periods.	UNU documented and published the internal processes and controls for creating accruals during the second quarter of 2017 on the UNU finance intranet page.	Under implementation. The Board reviewed the actions taken by UNU in 2018 to calculate and recognize the accruals in the 2017 financial statements. Internal control was in place. The Board reviewed the reconciliation of accruals in the enterprise resource planning system and in the 2017 financial statements.		X		

No.	*Audit report, biennium year*	*Paragraph reference*	*Recommendations of the Board*	*UNU response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
					However, in two cases of other revenue, the Board detected in[illegible]ates. Since these samples concerned events and contracts from 2014 and 2016, they seem not to have been detected in the actions taken in 2018. UNU should repeat the actions taken to detect other open cases from previous years.				
13.	2016 A/72/5 (Vol. IV), chap. II	60	UNU should ensure that a mechanism is in place for reviewing requests for exceptions to the six-year term limit for academic personnel. UNU should therefore define an efficient system of quality indicators and benchmarks to measure the success of the activities carried out by academic staff.	The guidelines for exceptions to the six-year term limit have been finalized.	Implemented. (See note of guidance on contract extensions beyond six years, dated 8 March 2018)	X			
14.	2016 A/72/5 (Vol. IV), chap. II	61	UNU-EHS and UNU-ViE should introduce a transparent scheme for longer-term projects. The scheme should clearly describe the roles of project staff and the procedure for finding successors to project leaders or section heads.	The recommendation has been incorporated in Pelikan and in the UNU performance appraisal report.	Implemented. Supervisors have to ensure the personnel turnover. The performance appraisal reports are prepared at the UNU Institute for Environment and Human Security (UNU-EHS) not only for United Nations staff, but also for personnel service agreement holders, and are also used for finding successors.	X			
15.	2016 A/72/5 (Vol. IV), chap. II	67	UNU-EHS and UNU-ViE should establish an overall strategy for how to contribute to the 2030 Agenda for Sustainable Development	The recommendation has been incorporated in Pelikan.	Implemented. The required input by Pelikan on the project's relation to the Sustainable Development Goals is taken seriously. The	X			

No.	Audit report, biennium year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			through its research and policy advice. This should include future work programmes that relate explicitly to the Sustainable Development Goals.		current contribution of UNU-EHS and UNU-ViE can be seen in the Sustainable Development Explorer. How the projects relate to the 2030 Agenda is envisaged to be addressed in the strategic plan for 2020–2024.				
16.	2016 A/72/5 (Vol. IV), chap. II	68	UNU should strengthen its communication on the implementation and achievements of research projects and policy advice regarding the 2030 Agenda for Sustainable Development.	In December 2017, the UNU Office of Communications launched the "Sustainable Development Explorer", an online tool featuring UNU work in relation to the Sustainable Development Goals. The tool highlights research projects and UNU researchers' perspectives on each Goal. Overall, it demonstrates that UNU covers the full breadth of the 17 Goals. (See https://unu.edu/explore)	Implemented. A new campaign launched on 24 January 2018 highlights UNU work on the Sustainable Development Goals.	X			
17.	2016 A/72/5 (Vol. IV), chap. II	75	UNU-EHS and UNU-ViE should perform a physical verification exercise for all capital and non-capital assets as soon as possible and update the actual locations of all assets and the information about the custodian.	UNU-EHS and UNU-ViE have fully implemented the recommendation for the capital assets. Implementation for non-capital assets will be completed by October 2018.	Under implementation.		X		
18.	2016 A/72/5 (Vol. IV), chap. II	76	UNU should update the information on capital and non-capital assets in the Atlas enterprise resource planning system on the basis of the physical verification exercise as at April 2017. Atlas should display only assets with the status "in use" that are actually in service. Assets	This recommendation has been implemented for capital assets. Implementation for non-capital assets will be completed by October 2018.	Under implementation. The Board performed a physical verification exercise on 14 March 2018 with findings for non-capital assets only. The UNU Centre in Tokyo provided the Board with an asset management report		X		

No.	Audit report, biennium/year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			that are obsolete or not in use should be deleted in Atlas, or at least their asset status should be changed from "in use" to "disposed of".		from Atlas. The report displays all UNU-related capital and non-capital assets that were in use at UNU headquarters in Tokyo as at 13 March 2018. The list contained 902 assets in use for operating unit 600 (UNU Centre), located in Tokyo. On the basis of this list, the Board performed a physical verification exercise for capital and non-capital assets. UNU improved the quality of data in its asset management system.				
19.	2016 A/72/5 (Vol. IV), chap. II	77	UNU should tag all capital and non-capital assets in use with a valid tag label in reference to the information recorded in Atlas.	This recommendation has been implemented for capital assets. Implementation for non-capital assets will be completed by October 2018.	Under implementation. The Board performed a physical verification exercise on 14 March 2018 with findings for non-capital assets only. The tag label of one asset (ID 4680) was marked in red as invalid. However, the asset was in use and included in the Atlas asset management report. Two assets were found with different tag numbers from those indicated in the asset management report (1086 instead of 1080 and 1085 instead of 1083).		X		
20.	2016 A/72/5 (Vol. IV), chap. II	89	The Campus Computing Centre should establish a formalized risk management process that includes the ICT systems of other United Nations entities hosted by the Centre. The risk management	The risk assessment framework of the Campus Computing Centre lays the foundation for how risk is identified for all our services and feeds directly into planning risk response.	Implemented.	X			

No.	Audit report, biennium year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
			document is to be reviewed periodically.						
21.	2016 A/72/5 (Vol. IV), chap. II	96	UNU-EHS and UNU-ViE should establish and review all necessary policies for using ICT systems in the entity and ensure that all staff comply with those policies.	ICT policies in line with existing UNU policies and Secretary-General's bulletin ST/SGB/2004/15 are issued to staff and are available on the intranet.	Implemented. The UNU-EHS/UNU-ViE Campus Computing Centre in Bonn, Germany, issued an ICT acceptable use policy. The Bonn office's ICT staff periodically review audit logs across the entire infrastructure to ensure the security and safety of ICT services and service delivery.	X			
22.	2016 A/72/5 (Vol. IV), chap. II	97	UNU-EHS and UNU-ViE should plan, formalize and carry out all activities for business continuity and disaster recovery for any event of disruption. This plan is to be reviewed periodically.	The infrastructure renewal and required documentation are expected to be completed by the fourth quarter of 2018.	Under implementation. UNU-EHS and UNU-ViE have not yet submitted their business continuity plans and disaster recovery plans.		X		
23.	2016 A/72/5 (Vol. IV), chap. II	107	UNU-EHS and UNU-ViE should not implement Office 365 until the efficiency of implementing Office 365 in comparison with adequate services provided by the institutes themselves has been verified. Aspects of information technology security also need to be considered in this verification process.	Owing to resource constraints and ongoing activities, the target date for a financial and security evaluation of Office 365 services has had to be postponed to the first quarter of 2019.	Under implementation. The verification of efficiency and security for implementing Office 365 has not yet been concluded.		X		
24.	2016 A/72/5 (Vol. IV), chap. II	111	The UNU Campus Computing Centre should use only formal agreements with the entities for which it provides services.	The Campus Computing Centre maintains a formal agreement with each entity to which it renders ICT services. An official agreement with UNU-IAS was finalized in late 2017. In	Implemented. UNU provided the lacking formal service agreements with the UNU International Institute for Global Health and the UNU Institute for	X			

No.	Audit report, biennium/year	Paragraph reference	Recommendations of the Board	UNU response	Board's assessment	Status after verification: Implemented	Under implementation	Overtaken by events	Not implemented
				addition, the following new agreements were established since the previous audit: • World Tourism Organization • United Nations House in Putrajaya	Water, Environment and Health.				
25.	2016 A/72/5 (Vol. IV), chap. II	116	UNU should determine minimum requirements for invoices provided by vendors.	UNU set up the minimum requirements for invoices received from its vendors and communicated them across the organization during the second quarter of 2017.	Implemented. UNU provided a document that determines minimum requirements for invoices. The regulation was issued on the UNU intranet under the category "Guidelines relating to payment process".	X			
26.	2016 A/72/5 (Vol. IV), chap. II	122	UNU should transfer the main facts and figures contained in its annual report to a special section on its website and regularly update the data.	During the second quarter of 2017, the Office of Communications added the facts and figures contained in its latest annual report to its website, and will be updating the information as it changes.	Implemented.	X			
27.	2016 A/72/5 (Vol. IV), chap. II	124	UNU should restrict access to the personal data contained in personnel service agreements and consultant and individual contractor contracts to the approving officer responsible.	Implementation is in progress. In addition to the restriction on access, UNU started the process of moving the personnel service agreement holders into the Atlas human resources module, which restricts access to data to selected profiles only.	Under implementation.		X		
	Total		**27**			**15**	**12**	**0**	**0**
	Percentage		**100**			**56**	**44**	**0**	**0**

Chapter III

Certification of the financial statements

Letter dated 22 March 2018 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations University for the year ended 31 December 2017 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the University during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations University, numbered I to V, are correct in all material respects.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter IV

Financial report for the year ended 31 December 2017

A. Introduction

1. The Rector has the honour to submit herewith the financial report on the accounts of the United Nations University (UNU) for the year ended 31 December 2017.

2. The present report is designed to be read in conjunction with the financial statements. Attached hereto is an annex, which includes supplementary information that is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

3. UNU is a think tank and one of several research entities in the United Nations system. The University's mandate, in accordance with its Charter, is to assist in finding solutions to the pressing global problems of human survival, development and welfare that are the concern of the United Nations and its agencies, with a particular focus on the needs of developing countries. The UNU strategic plan for 2015–2019 further emphasizes the University's vocation to bridge research communities and marshal evidence-based research for policymaking at the United Nations and in Member States. Towards that end, UNU operates a global network of academic institutes and programmes that undertake policy-relevant research, offering objective, evidence-based solutions to current global problems (see http://unu.edu/about/unu-system).

4. Over the course of 2017, the University led and launched initiatives that intersected with key United Nations priorities. Evidence of this is most apparent in the activities the University undertook as Chair of the Global Migration Group in 2017, and through its efforts to strategically communicate the University's support for and contributions to the 2030 Sustainable Development Agenda.

5. The Global Migration Group is an inter-agency group that (a) promotes the wider application of all relevant international and regional instruments and norms relating to migration; (b) supports the process of the Global Forum on Migration and Development; and (c) encourages the adoption of more coherent, comprehensive and better coordinated approaches to the governance of international migration. As Chair of the Group in 2017, UNU convoked a strategic retreat for member agencies of the Group on 14 and 15 February 2017 to encourage the Group to reflect on developing clear and meaningful ways of enhancing its utility within the landscape of global migration governance and policy. UNU also organized an academic seminar series in New York, drawing on researchers from across the UNU system, aimed at enriching the evidence base for formulating migration policies in the run-up to the Global Compact for Safe, Regular and Orderly Migration. Finally, the University organized a strategic retreat that involved United Nations policymakers, representatives from the media and academics to discuss a baseline research report commissioned by UNU on xenophobia and the representation of migrants in the media.

6. In 2017, the University launched the Sustainable Development Explorer, an online interface of a new campaign highlighting the University's work to support the 17 Sustainable Development Goals. The web site features 51 UNU projects, 34 experts, 34 publications and 50 articles. It offers visitors the opportunity to explore the "who" and "what" of the University's work, "meet" UNU experts and learn about how UNU ideas are generating knowledge to develop solutions to achieve the Goals. This global, cross-institute initiative gives greater visibility to the many projects that UNU has undertaken and continues to undertake in support of the 2030 Agenda. These online efforts are supplemented by a new programme of private sector engagement in

Japan, aimed at disseminating information on the 17 Goals and highlighting possibilities for private sector engagement to advance them.

7. The University also continued a practice of substantive engagement with the United Nations System Chief Executives Board for Coordination (CEB) and the Executive Office of the Secretary-General. For example, at the request of the High-level Committee on Programmes, UNU undertook policy-oriented research on the role of the United Nations in realizing the promise of cyberspace and mitigating the threats it poses. This culminated in a paper for the High-level Committee and the Board, which greatly benefited from inputs provided by several UNU institutes. UNU has been invited by the Executive Office of the Secretary-General to further develop this line of research as part of its broader focus on "frontier issues". This collaboration with the Executive Office serves as an example of knowledge co-creation with policymakers, a process that is likely to lead to the research having a greater impact through improved policy uptake.

8. The 2017 work programme was delivered under the stewardship of the Council of the United Nations University. Detailed profiles of Council members can be found at https://unu.edu/about/unu-council.

B. Overview of the financial statements for the year ended 31 December 2017

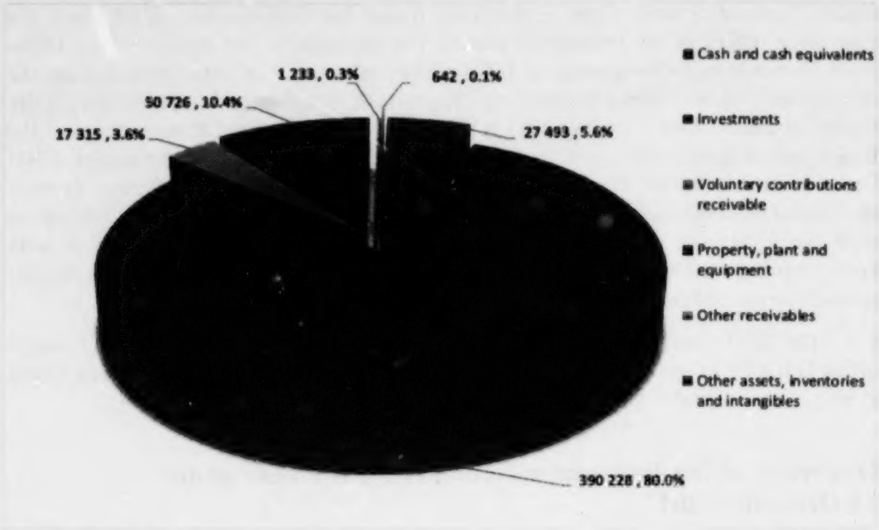
9. Financial statements I, II, III, IV and V show the financial results of UNU activities and its financial position as at 31 December 2017. The notes to the financial statements explain UNU accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial position

Assets

10. Assets as at 31 December 2017 totalled $487.64 million, compared with the balance as at 31 December 2016 of $507.26 million. Figure IV.I presents the structure of assets as at 31 December 2017.

Figure IV.I
Total assets as at 31 December 2017
(Thousands of United States dollars)



11. The main assets as at 31 December 2017 are investments and property, plant and equipment totalling $440.95 million, representing 90.4 per cent of the total assets; voluntary contributions receivable of $17.32 million, or 3.6 per cent; and cash and cash equivalents of $27.49 million, or 5.6 per cent. The remaining 0.4 per cent of the assets consist mainly of other receivables, other assets, inventories and intangibles.

12. Of the total cash, cash equivalents and investments of $417.72 million, $363.39 million, or 87.0 per cent, is held with the United Nations University Endowment Fund, while $31.16 million, or 7.5 per cent, is held in the United Nations Treasury main cash pool.

13. Under the International Public Sector Accounting Standards (IPSAS), accounts receivable from voluntary contributions are recognized in full upon signature of an agreement, including amounts due in future financial periods. The exception is agreements with performance obligations, such as those with the European Union containing conditions requiring the return of the contribution if the funds are not spent in accordance with the terms and conditions specified by the donor.

Liabilities

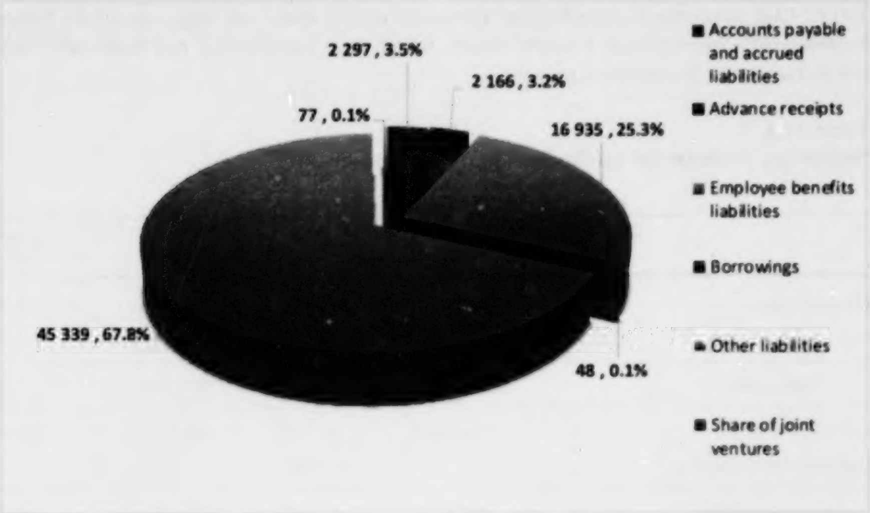
14. Liabilities as at 31 December 2017 totalled $66.86 million, compared with the balance as at 31 December 2016 of $83.87 million. Figure IV.II presents the structure of UNU liabilities as at 31 December 2017.

15. The decrease in liabilities of $17.01 million is mainly attributable to the timing of significant year-end investment purchases amounting to $16.68 million, which were recognized as payables as they had a trade date in 2016 and were settled in early January 2017.

Figure IV.II

Total liabilities as at 31 December 2017

(Thousands of United States dollars)

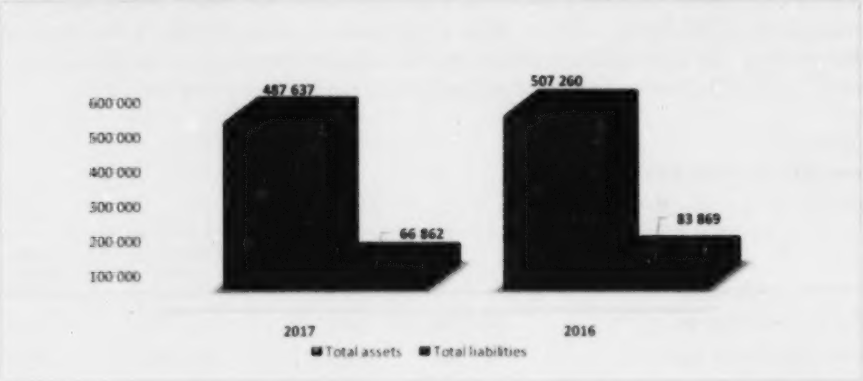


16. The liabilities largely comprised donated rights-to-use buildings occupied by the University's offices. These liabilities, reported as other liabilities, amounted to $45.34 million, representing 67.8 per cent of total liabilities. The other major component of liabilities was employee benefits earned by staff members, retirees and individual contractors. These accounted for $16.94 million, representing 25.3 per cent of total liabilities. The remaining liabilities consisted mainly of accounts payables and accrued liabilities, and advance receipts.

Figure IV.III

Movement in total assets and total liabilities as at 31 December 2017

(Thousands of United States dollars)



17. Figure IV.III illustrates a slight decrease of 3.9 per cent in the total assets during the year, from $507.26 million in 2016 to $487.64 million in 2017. Total liabilities registered a 20.3 per cent decrease, from $83.87 million in 2016 to $66.86 million over the same period.

Net assets

18. The movement in net assets during the year reflects a decrease of $2.61 million, from $423.39 million as at 31 December 2016 to $420.78 million as at 31 December 2017. This decrease is primarily attributable to the one-time impairment of future funding instalments from a major donor, which to a large extent has been offset by the reduction in investment payable.

Table IV.1
Summary of financial position as at 31 December 2017
(Thousands of United States dollars)

	2017	*2016*	*Change (amount)*	*Change (percentage)*
Current assets	62 918	97 374	(34 456)	-35.4
Non-current assets	424 719	409 886	14 833	3.6
Total assets	**487 637**	**507 260**	**(19 623)**	**-3.9**
Current liabilities	10 522	26 047	(15 525)	-59.6
Non-current liabilities	56 340	57 822	(1 482)	-2.6
Total liabilities	**66 862**	**83 869**	**(17 007)**	**-20.3**
Net assets	**420 775**	**423 391**	**(2 616)**	**-0.6**

Financial performance

Revenue

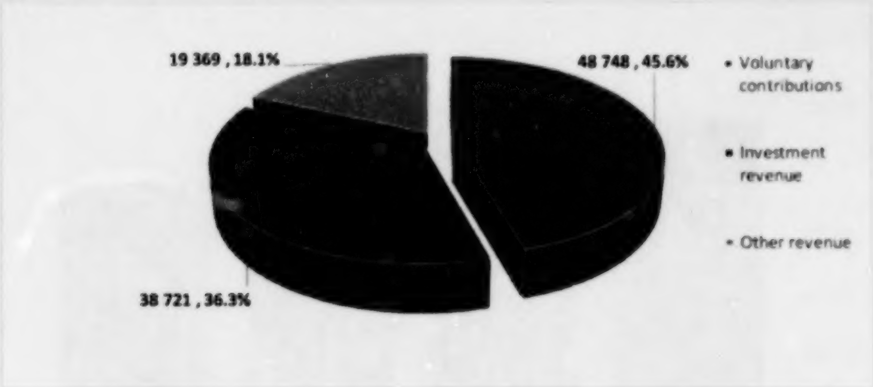
19. In 2017, the University's revenue totalled $106.84 million, an increase of $40.66 million compared with 2016, or 61.4 per cent. The main source of revenue was voluntary contributions of $48.75 million, which included net monetary contributions of $21.29 million from Member States and $6.75 million from other donors. Voluntary contributions revenue also comprised contributions in kind as a rental subsidy of $20.71 million for the year, which represented the difference between the market value and the actual amount paid for the rental of the buildings occupied by UNU. Other sources were investment revenue of $38.72 million and other revenue of $19.37 million. Other revenue consisted mainly of foreign exchange gains. Table IV.2 shows a comparative analysis of revenue for 2016 and 2017.

Table IV.2
Comparative revenue analysis
(Thousands of United States dollars)

	2017	*2016*	*Change (amount)*	*Change (percentage)*
Voluntary contributions	48 748	49 527	(779)	-1.6
Investment revenue (net)	38 721	13 331	25 390	190.5
Other revenue	19 369	3 322	16 047	483.1
Total revenue	**106 838**	**66 180**	**40 658**	**61.4**

20. Figure IV.IV presents the structure of UNU revenue as at 31 December 2017.

Figure IV.IV
Total revenue as at 31 December 2017
(Thousands of United States dollars)



21. UNU is heavily reliant on a small number of donors; the top six donors contributed about 68 per cent of the total net monetary donor contributions for the year. Figure IV.V highlights the major voluntary contributors, showing Japan as the major contributor for 2017, while figure IV.VI provides the breakdown of voluntary contributions for the current year and future years from 2014 to 2017.

Figure IV.V
Voluntary contributions from State donors exceeding $1.0 million per donor, 2017
(Thousands of United States dollars)

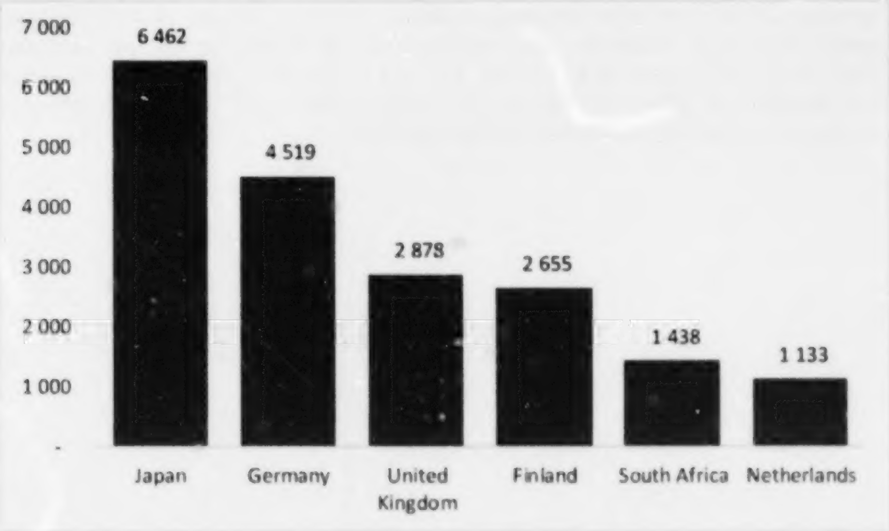
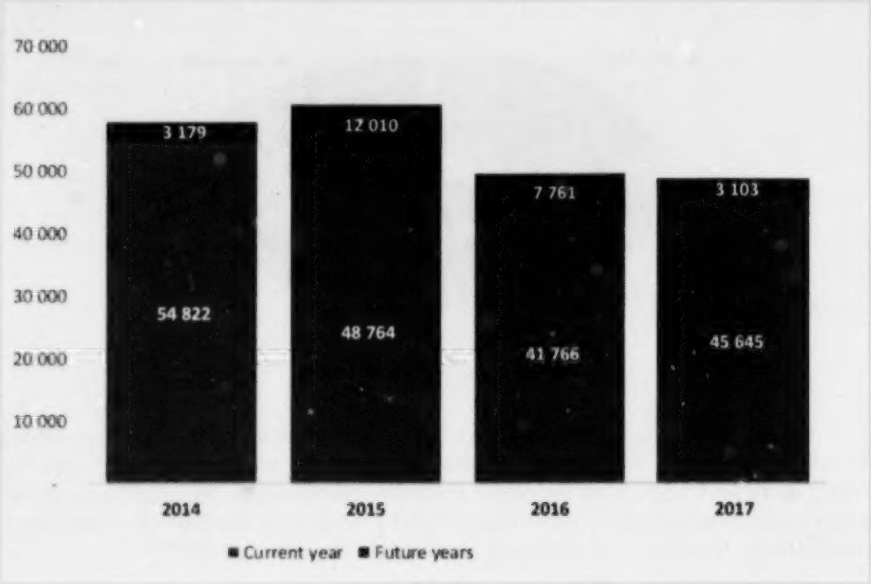


Figure IV.VI

Voluntary contributions by current year and future years, 2014–2017

(Thousands of United States dollars)



Expenses

22. For the year ended 31 December 2017, expenses totalled $107.84 million, an increase of $17.85 million compared with 2016, or 19.8 per cent. The main expense categories comprised other operating expenses of $53.66 million, or 49.8 per cent, employee salaries, allowances and benefits of $23.85 million, or 22.1 per cent, and rent, leases and utilities of $18.52 million, or 17.2 per cent. Figure IV.VII presents the structure of UNU expenses as at 31 December 2017. Table IV.3 shows a comparative analysis of expenses for 2016 and 2017.

Figure IV.VII
Total expenses as at 31 December 2017

(Thousands of United States dollars)

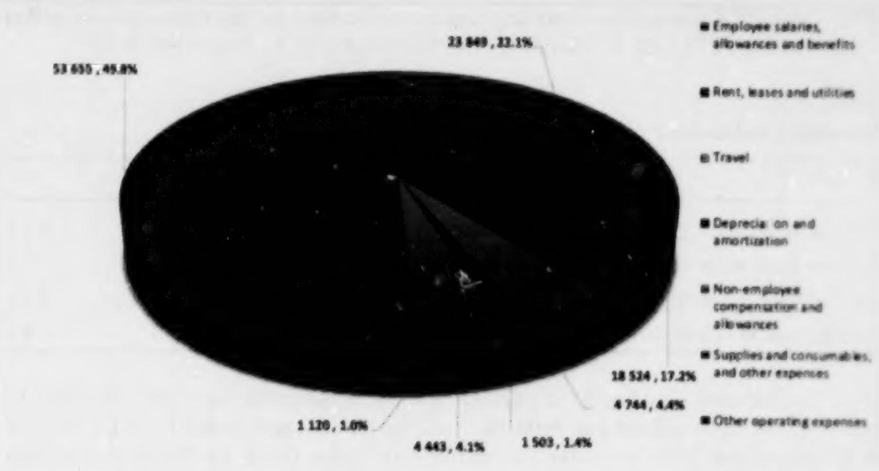


Table IV.3
Comparative expense analysis

(Thousands of United States dollars)

	2017	*2016*	*Change*	*Change (percentage)*
Employee salaries, allowances and benefits	23 849	22 884	965	4.2
Rent, leases and utilities	18 524	17 649	875	5.0
Travel	4 744	5 327	(583)	-10.9
Depreciation and amortization	1 503	4 582	(3 079)	-67.2
Non-employee compensation and allowances	4 443	5 084	(641)	-12.6
Supplies and consumables, and other expenses	1 120	1 006	114	11.3
Other operating expenses	53 655	33 454	20 201	60.4
Total expenses	**107 838**	**89 986**	**17 852**	**19.8**

23. During 2017, other operating expenses increased by $20.20 million (60.4 per cent) mainly owing to the higher allowance for doubtful voluntary contributions receivable.

24. The notable reduction in depreciation and amortization by $3.08 million (67.2 per cent) is due to adjustments for fully depreciated assets that are still in use.

Operating results

25. The University's deficit decreased from $23.81 million in 2016 to $1.00 million in 2017. The decrease in the deficit is a result of higher revenue from investments and other revenue.

Liquidity position

26. As at 31 December 2017, the liquidity position of UNU was healthy; the entity had sufficient liquid assets to settle its obligations. Liquid funds totalled

$62.42 million (cash and cash equivalents of $27.49 million, short-term investments of $21.85 million and accounts receivable of $13.08 million), whereas total current liabilities amounted to $10.52 million.

27. Table IV.4 summarizes four key liquidity indicators for the financial year ended 31 December 2017 with comparatives for the year ended 31 December 2016.

Table IV.4
Liquidity indicators

Indicator	*2017*	*2016*
Ratio of liquid assets to current liabilities	5.9:1	3.7:1
Ratio of liquid assets less accounts receivable to current liabilities	4.7:1	2.3:1
Ratio of liquid assets to total assets	0.1:1	0.2:1
Average months of liquid assets less accounts receivable on hand	5.6	8.5

28. The ratio of liquid assets to current liabilities indicates the ability of UNU to pay its short-term obligations from its liquid resources. The ratio of 5.9:1 indicated that current liabilities are covered approximately six times by liquid assets, and therefore the UNU was in a comfortable position to meet short-term commitments at the end of 2017. When accounts receivable balances were excluded from the analysis, the coverage of current obligations was at 4.7:1 for 2017 and 2.3:1 for 2016.

29. As at 31 December 2017, the University's total liquid assets amounted to about 13 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $8.86 million for 5.6 months.

C. Future outlook

30. Worldwide, in 2017 some 400 UNU researchers were engaged in nearly 200 research projects generating knowledge to develop solutions to monitor and achieve the Sustainable Development Goals. Moving ahead, UNU research will continue to strive to achieve a meaningful impact in support of the 2030 Agenda. UNU research institutes such as the World Institute for Development Economics Research will work on poverty reduction by deepening understanding of the linkages between structural transformation, employment creation and poverty reduction in Africa, while others, such as the UNU-Maastricht Economic and Social Research Institute on Innovation and Technology, will focus on the impact of protracted refugee situations on the economic lives of host communities. UNU is also proud to launch in 2018 the first flagship report of the EQUALS Research Group. Led by the UNU Institute on Computing and Society, this research group works across academia, industry, government and civil society to identify gaps in knowledge, highlight good practices and produce knowledge to generate momentum for closing the digital gender gap. These are just a few examples of the work that UNU will undertake in 2018 in support of the 2030 Agenda.

31. UNU will remain active in collaborative knowledge generation, working in direct partnership with United Nations entities to fill knowledge gaps identified in United Nations policy processes. For example, the UNU Operating Unit on Policy-Driven Electronic Governance is designing a digital agenda for the Community of Portuguese-speaking Countries, as well implementing and monitoring of a wide range of electronic governance policies in India. It is also involved in the design of strategies for the reorganization of university systems in developing countries to

support local academic communities through increased effectiveness of higher education institutions. Another example is the continuing focus of the UNU Institute for the Advanced Study of Sustainability on supporting efforts by Member States to achieve the Aichi Biodiversity Targets of the Convention on Biological Diversity and advance the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services agenda by developing scientific assessments of biodiversity and ecosystem services.

32. With respect to internal organizational change, 2018 will mark a significant shift towards gender diversity across the University. Notably, seven director-level (D-1 and above) positions in the University will become vacant in 2018, creating significant opportunities to improve the number of women in the most senior UNU positions. Efforts will also continue to be made to align internal staffing and other organizational policies with the Secretary-General's system-wide strategy on gender parity as well as with the next generation of indicators promulgated through the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women.

Annex

Supplementary information

1. The present annex includes the information the Rector is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), there were no cases of write-off of receivables in 2017.

Write-off of losses of property

3. Pursuant to financial rule 106.7, there were no cases of write-off of losses of property, plant and equipment, inventories or intangibles for UNU during 2017 arising from accident, theft, damage or destruction; this does not include factors such as obsolescence and wear and tear.

Ex gratia payments

4. There were no ex gratia payments during 2017.

Chapter V

Financial statements for the year ended 31 December 2017

United Nations University

I. Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Assets			
Current assets			
Cash and cash equivalents	Note 6	27 493	46 900
Investments	Note 7	21 848	13 388
Voluntary contributions receivable	Note 8	11 849	17 723
Other receivables	Note 9	1 233	17 501
Inventories	Note 10	4	4
Other assets	Note 11	491	1 858
Total current assets		**62 918**	**97 374**
Non-current assets			
Investments	Note 7	368 380	315 460
Voluntary contributions receivable	Note 8	5 466	42 172
Property, plant and equipment	Note 13	50 726	52 065
Intangibles	Note 14	120	162
Other assets	Note 11	27	27
Total non-current assets		**424 719**	**409 886**
Total assets		**487 637**	**507 260**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 15	2 297	18 349
Advance receipts	Note 16	1 726	1 368
Employee benefits liabilities	Note 17	2 390	2 214
Borrowings	Note 18	25	32
Other liabilities	Note 19	4 084	4 084
Total current liabilities		**10 522**	**26 047**

United Nations University

I. Statement of financial position as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2017*	*31 December 2016*
Non-current liabilities			
Advance receipts	Note 16	440	294
Employee benefits liabilities	Note 17	14 545	12 103
Borrowings	Note 18	23	32
Other liabilities	Note 19	41 255	45 339
Share of joint ventures: equity method	Note 28	77	54
Total non-current liabilities		**56 340**	**57 822**
Total liabilities		**66 862**	**83 869**
Net of total assets and total liabilities		**420 775**	**423 391**
Net assets			
Accumulated surpluses	Note 20	53 435	55 747
Endowment fund	Note 21	367 340	367 644
Total net assets		**420 775**	**423 391**

The accompanying notes are an integral part of these financial statements.

United Nations University

II. Statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Revenue			
Voluntary contributions	Note 22	48 748	49 527
Investment revenue (net)	Note 23	38 721	13 331
Other revenue	Note 24	19 369	3 322
Total revenue		**106 838**	**66 180**
Expenses			
Employee salaries, allowances and benefits	Note 25	23 849	22 884
Rent, leases and utilities	Note 25	18 524	17 649
Travel	Note 25	4 744	5 327
Depreciation and amortization	Notes 13, 14, 25	1 503	4 582
Non-employee compensation and allowances	Note 25	4 443	5 084
Supplies and consumables	Note 25	1 101	984
Other operating expenses	Note 25	53 655	33 454
Other expenses	Note 25	19	22
Total expenses		**107 838**	**89 986**
Deficit for the year		**(1 000)**	**(23 806)**

The accompanying notes are an integral part of these financial statements.

United Nations University

III. Statement of changes in net assets for the year ended 31 December 2017

(Thousands of United States dollars)

	Accumulated surpluses	*Endowment Fund*	*Total*
IPSAS net assets as at 1 January 2017	**55 747**	**367 644**	**423 391**
Shares of changes recognized in the net assets of joint ventures: equity method (note 28)	(19)	–	(19)
Actuarial losses on employee benefits liabilities (note 17)	(1 597)	–	(1 597)
Deficit for the year	(696)	(304)	(1 000)
Total recognized changes in net assets	**(2 312)**	**(304)**	**(2 616)**
Net assets as at 31 December 2017	**53 435**	**367 340**	**420 775**

The accompanying notes are an integral part of these financial statements.

United Nations University

IV. Statement of cash flows for the year ended 31 December 2017

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Cash flows from operating activities			
Deficit for the year		**(1 000)**	**(23 806)**
Non-cash movements			
Depreciation and amortization	Notes 13, 14, 25	1 503	4 582
Unrealized losses on Endowment Fund investments from changes in fair value	Note 23	19 144	2 897
Gains on sale of Endowment Fund investments	Note 23	(49 405)	(8 883)
Unrealized (gains)/losses on Endowment Fund due to revaluation		(13 821)	6 975
Actuarial losses on employee benefits liabilities	Note 17	(1 597)	(366)
Losses on share of joint ventures	Note 28	(19)	(2)
(Gains)/losses on disposal of property, plant and equipment	Note 13	(8)	148
Investment revenue from Endowment Fund presented as investing activities	Note 23	(8 086)	(7 182)
Investment revenue from cash pool presented as investing activities	Note 23	(374)	(163)
In-kind contributions of property, plant and equipment	Note 13	–	(210)
Changes in assets			
Decrease in voluntary contributions receivable	Note 8	42 580	14 548
(Increase)/decrease in other receivables	Note 9	16 268	(16 386)
Decrease in inventories	Note 10	–	13
(Increase)/decrease in other assets	Note 11	1 367	(1 092)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	Note 15	(16 052)	16 180
Increase in advance receipts	Note 16	504	1 109
Increase in employee benefits liabilities	Note 17	2 618	1 005
Decrease in other liabilities	Note 19	(4 084)	(4 016)
Increase/(decrease) in share of joint ventures: equity method	Note 28	23	(10)
Net cash flows used in operating activities		**(10 439)**	**(14 659)**

United Nations University

IV. Statement of cash flows for the year ended 31 December 2017 (continued)

(Thousands of United States dollars)

	Reference	*2017*	*2016*
Cash flows from investing activities			
Net investment revenue from cash pool presented as investing activities	Note 23	374	163
Net movement in cash pool		(8 872)	(890)
Dividends received		5 258	4 112
Interest received		2 828	3 070
Purchases of investments		(775 310)	(526 344)
Proceeds from sales and maturities of investments		766 884	528 334
Purchases of property, plant and equipment	Note 13	(107)	(392)
Proceeds from sales of property, plant and equipment		8	–
Acquisition of intangible assets	Note 14	–	(11)
Net cash flows from investing activities		**(8 937)**	**8 042**
Cash flows from financing activities			
Decrease in borrowings	Note 18	(31)	(17)
Net cash flows used in financing activities		**(31)**	**(17)**
Net decrease in cash and cash equivalents		**(19 407)**	**(6 634)**
Cash and cash equivalents — beginning of year		**46 900**	**53 534**
Cash and cash equivalents — end of year	6	**27 493**	**46 900**

The accompanying notes are an integral part of these financial statements.

United Nations University

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2017

(Thousands of United States dollars)

	Approved budget[a]						
Budget cost categories	*Original biennial*	*Final biennial*	*Original annual*	*Final annual*	*Actual on a comparable basis*	*Difference: final budget and actual*	*Difference (percentage)*[b]
Research, training networks and dissemination	57 038	67 553	22 826	44 848	22 543	(22 305)	(50)
Staff and other personnel costs	41 348	38 076	20 861	20 546	16 125	(4 421)	(22)
General operating expenses	19 187	19 071	9 326	10 648	8 307	(2 341)	(22)
Total	**117 573**	**124 700**	**53 013**	**76 042**	**46 975**	**(29 067)**	**(38)**

[a] The UNU work programme and budget estimates for the biennium 2016–2017 were approved by the UNU Council in December 2015. The original budget was prepared on an annual basis related to each year of the biennium. The annual budget amounts relate to the current year portion of the budget approved by the UNU Council for a two-year budget period.

[b] Represents actual expenditure (budget basis) less final budget as a percentage of the final budget; differences greater than 10 per cent are considered in note 5.

The accompanying notes are an integral part of these financial statements.

United Nations University
Notes to the financial statements

Note 1
United Nations University and its activities

1. These financial statements relate to the operations of the United Nations University (UNU), a separate financial reporting entity of the United Nations.

2. In 1969, at its twenty-fourth session, the General Assembly considered the question of establishing an international university to be devoted to the objectives of peace and progress of the Charter of the United Nations. At that session, the Assembly invited the Secretary-General to undertake, in cooperation with the United Nations Institute for Training and Research, an expert study on the feasibility of such a university (resolution 2573 (XXIV)). The question was further considered at the following two sessions (resolutions 2691 (XXV) and 2822 (XXVI)).

3. On 11 December 1972, at its twenty-seventh session, the General Assembly approved the establishment of an international university under the auspices of the United Nations, to be known as the United Nations University (resolution 2951 (XXVII)).

4. On 6 December 1973, at its twenty-eighth session, the General Assembly formally adopted the Charter of the United Nations University (A/9149/Add.2; resolution 3081 (XXVIII)).

5. On 21 December 2009, at its sixty-fourth session, the General Assembly approved two amendments (additions) to the Charter of the University: article I, paragraph 8, and article IX, paragraph 2 bis (resolution 64/225), explicitly authorizing the University to grant and confer master's degrees and doctorates.

6. On 20 December 2013, at its sixty-eighth session, the General Assembly approved amendments to paragraphs 1 and 3 of article IV of the Charter of the University (resolution 68/236), reducing the number of appointed members of the UNU Council from 24 to 12.

7. The University is a global think tank and postgraduate teaching university headquartered in Japan, with the mission to contribute, through collaborative research and education, to efforts to resolve the pressing global problems of human survival, development and welfare that are the concern of the United Nations, its peoples and Member States.

8. In carrying out this mission, the University works with leading universities and research institutes in States Members of the United Nations, functioning as a bridge between the international academic community and the United Nations system.

9. Through postgraduate teaching activities, the University contributes to capacity-building, particularly in developing countries.

10. The UNU Centre in Tokyo serves as the programming, planning and administrative headquarters unit of the University. It comprises the Office of the Rector and the administrative and academic services units that support the work of the global UNU system. These units include an administrative office in Kuala Lumpur and liaison offices at the United Nations in New York and the United Nations Educational, Scientific and Cultural Organization in Paris.

11. Also at the UNU Centre in Tokyo is the Centre for Policy Research, established in 2014 as part of a broader effort by the Rector to respond to the Secretary-General's request to enhance the University's policy relevance in the fields of peace and security and global development. The core mission of the Centre for Policy Research is to generate policy research that speaks to major debates in the wider United Nations community as well as the Secretary-General's priorities in these areas.

12. The University encompasses 13 research and training institutes and programmes located in 12 countries around the world, as follows, with the global UNU system coordinated by the UNU Centre:

(a) UNU Programme for Biotechnology in Latin America and the Caribbean (UNU-BIOLAC), Caracas;

(b) UNU Institute on Comparative Regional Integration Studies (UNU-CRIS), Bruges, Belgium;

(c) UNU Computing and Society (UNU-CS), Macao, China;

(d) UNU Institute for Environment and Human Security (UNU-EHS), Bonn, Germany;

(e) UNU Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES), Dresden, Germany;

(f) UNU Institute on Globalization, Culture and Mobility (UNU-GCM), Barcelona, Spain;

(g) UNU Institute for the Advanced Study of Sustainability (UNU-IAS), Tokyo;

(h) UNU International Institute for Global Health (UNU-IIGH), Kuala Lumpur;

(i) UNU Institute for Natural Resources in Africa (UNU-INRA), Accra;

(j) UNU Institute for Water, Environment and Health (UNU-INWEH), Hamilton, Ontario, Canada;

(k) UNU Institute for Sustainable Development (UNU-IRADDA), Algiers;

(l) UNU Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT), Maastricht, the Netherlands;

(m) UNU World Institute for Development Economics Research (UNU-WIDER), Helsinki.

13. Other activities of the University are carried out through the University headquarters in Tokyo.

14. The University is regarded as an autonomous financial reporting entity which neither controls nor is controlled by any other United Nations reporting entity. Owing to the uniqueness of the governance and budgetary process of each of the United Nations reporting entities, the entities are not deemed to be subject to common control. These statements relate only to the operations of the University.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

15. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of the University, consist of the following:

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

16. The going-concern assertion is based on the approval by the UNU Council of the work programme and budget estimates for the biennium 2018–2019, its net assets position, the stable historical trend of voluntary contributions collection and the fact that the General Assembly has made no decision to cease the operations of the University.

Authorization for issue

17. These financial statements are certified by the Controller and approved by the Secretary-General of the United Nations. In accordance with regulation 6.2 of the Financial Regulations and Rules, the Secretary-General transmitted the financial statements as at 31 December 2017 to the Board of Auditors by 31 March 2018. In accordance with regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2018.

Measurement basis

18. The financial statements are prepared using the historic-cost convention except for real estate assets (other than prefabricated buildings), which are recorded at depreciated replacement cost, and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

19. The functional currency and presentation currency of the University is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

20. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at United Nations operational rates of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated.

21. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

22. Materiality is central to the preparation and presentation of the University's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

23. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

24. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

Future accounting pronouncements

25. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the University's financial statements continues to be monitored:

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Non-exchange expenses: the aim of the project is to develop a standard (or standards) that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions; IPSAS 11: Construction contracts; and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2019;

(e) Public sector measurement: the objectives of this project include (a) to issue amended standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosures; (b) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (c) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues that preparers may have when applying IPSAS 17 to infrastructure assets.

informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

26. The IPSAS Board has issued the following standards: IPSAS 34 to 38 in 2015 effective 1 January 2017, IPSAS 39 in 2016 effective 1 January 2018 and IPSAS 40 in 2017 effective 1 January 2018. The impact of these standards on the University's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34: Separate financial statements, are very similar to the requirements of the repealed IPSAS 6. The introduction of IPSAS 34 with effect from 1 January 2017 has not affected the University's financial statements as reported in volume IV.
IPSAS 35	IPSAS 35: Consolidated financial statements, still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. A desk review and assessment of the control and interests in other arrangements of the University as reported in volume IV was performed, which confirmed the result of the previous review; therefore there are no changes following adoption of the new standard.
IPSAS 36	A key change introduced by IPSAS 36: Investments in associates and joint ventures, is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary. A desk review and assessment of all the arrangements between the University and all its activities was performed, which confirmed the result of the previous review that no such temporary joint control or significant influence exists. Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to the University as reported in volume IV is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37: Joint arrangements, introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method. Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, a UNU as reported in volume IV interest gives rise to rights over net assets, IPSAS 37 requires the equity method to be used and this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and the University will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses.

Standard	*Anticipated impact in the year of adoption*
IPSAS 38	IPSAS 38: Disclosure of interests in other entities, increases the extent of disclosures required for interest in other entities and could have a significant impact on the financial statements of the United Nations University as reported in volume IV. A desk review and assessment of the impact of IPSAS 38 on the University and all its activities was performed, which confirmed the result of the previous review that there are no impacts following the adoption of the new standard.
IPSAS 39	Currently, IPSAS 39: Employee benefits, will have no impact on the University since the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied since the adoption of IPSAS in 2014. The University does not have any plan assets and there is therefore no impact from application of the net interest approach prescribed by the standard. IPSAS 39 was effective from 1 January 2018. Further analysis will be carried out in the future should the University procure plan assets.
IPSAS 40	There is no impact on the University from the application of IPSAS 40: Public sector combinations, as to date there are no public sector combinations that fall under volume IV. Any such impact of IPSAS 40 on the University's financial statements will be evaluated for application by the University effective 1 January 2018, the date for application of the standard, should such combinations occur.

Note 3
Significant accounting policies

Financial assets classification

27. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The University classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools and the Endowment Fund
Loans and receivables	Cash and cash equivalents and receivables

28. All financial assets are initially measured at fair value. The University initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date the University becomes party to the contractual provisions of the instrument.

29. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

30. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the

fair value are presented in the statement of financial performance in the year in which they arise.

31. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value, plus transaction costs, and are subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset

32. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

33. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the University has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

34. The United Nations Treasury invests funds pooled from the Secretariat and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

35. The University's investment in the cash pools is included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investment.

Endowment Fund investment

36. The Endowment Fund represents the donor contributions retained for the benefit of the University as specified by the donor. The fund is permanently invested to generate a revenue stream to be applied to meet the programme and operational needs of the University.

37. The University's Endowment Fund investments are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity period of the investments.

Cash and cash equivalents

38. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions: contributions receivable

39. Contributions receivable represent uncollected revenue from voluntary contributions committed to the University by Member States, non-member States and other donors based on enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature

in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method. Voluntary contribution receivables, trade receivables and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months.

Receivables from exchange transactions: other receivables

40. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Other assets

41. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Inventories

42. Inventory balances are recognized as current assets and include the following category:

Category	*Subcategories*
Held for sale or external distribution	Books and publications

43. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions, that is, donated goods, is measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods or services are valued at the lower of cost and current replacement cost.

44. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the University. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

45. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

46. Heritage assets are not recognized in the financial statements, but significant heritage asset transactions are disclosed in the notes thereto.

Property, plant and equipment

47. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $5,000, or $100,000 for leasehold improvements and self-constructed assets;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets. Any subsequent real estate additions are recognized at historical cost;

(d) With regard to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

48. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which the University gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are as follows:

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years

Class	*Subclass*	*Estimated useful life*
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

49. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result was entered in the master record of the asset.

50. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial

statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

51. The University chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the University and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

52. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises when proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

53. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $100,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $5,000 per unit.

Intangible assets

54. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire the assets. The thresholds for recognition are $100,000 per unit for internally generated intangible assets and $5,000 per unit for externally acquired intangible assets.

55. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the University are capitalized as an intangible asset. Directly associated costs include software development employee costs, costs for consultants and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Licences and rights	2 to 6 years (period of licence/right)
Software acquired externally	3 to 10 years
Software developed internally	3 to 10 years
Copyrights	3 to 10 years
Assets under development	Not amortized

56. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities classification

57. Financial liabilities are classified as other financial liabilities. They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The University re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

58. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are recognized and subsequently measured at their nominal value because they are generally due within 12 months.

Advance receipts and other liabilities

59. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases

The University as "lessee"

60. Leases of property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

61. Leases where all of the risks and rewards of ownership are not substantially transferred to the University are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

Donated right to use

62. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the University, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the agreement indicates that control over the underlying asset is transferred to the University.

63. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property and the term of the

arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the University does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

64. Where title to land is transferred to the University without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

65. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $5,000 per unit for donated right-to-use premises and $5,000 per unit for machinery and equipment.

Employee benefits

66. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the University are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employees also include certain individual contractors employed by the University. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

67. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the statement of financial position.

Post-employment benefits

68. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

69. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the University (other long-term benefits). Defined-benefit plans are those where the University's obligation is to provide agreed benefits and therefore the University bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The University has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the University held no plan assets as defined by IPSAS 25: Employee benefits.

70. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

71. **After-service health insurance**. Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and five years for those recruited before that date. The after-service health insurance liability represents the present value of the share of the University's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the University's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff to arrive at the University's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

72. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the University and is measured at the present value of the estimated liability for settling these entitlements.

73. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the University. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the University. The accumulated annual leave benefit reflecting the outflow of economic resources from the University at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the University values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

74. The University is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined-benefit plan. As specified in

article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

75. Participation in the Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund and the University, like other participating organizations, are not in a position to identify the University's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the University has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The University's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

76. Termination benefits are recognized as an expense only when the University is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

77. Other long-term employee benefits obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Accumulated annual leave is an example of long-term employee benefits.

Provisions

78. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the University has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount expected to be required to settle the obligation.

Contingent liabilities

79. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

80. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential

has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

81. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

82. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the University. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the University.

Commitments

83. Commitments are future expenses to be incurred by the University with respect to open contracts which the University has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that are not delivered at the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Voluntary contributions

84. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time when the agreement becomes binding, which is the point when the University is deemed to acquire control of the asset. However, where cash is received subject to specific conditions, recognition of revenue is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

85. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding. Unused funds returned to the donor are netted against voluntary contributions revenue.

86. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the University to administer projects or other programmes on their behalf.

87. In-kind contributions of goods above the recognition threshold of $5,000 (per discrete contribution) are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the University and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The University has elected not to recognize in-kind contributions of services, but to disclose in-kind contributions of services above the threshold of $5,000 per discrete contribution in the notes to the financial statements.

Exchange revenue

88. Exchange transactions are those in which the University sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications and books and from royalties is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners is recognized when the service is performed;

(c) Revenue includes tuition fees received from students pursuing postgraduate courses at the University;

(d) Exchange revenue also includes revenue from the rental of premises and the sale of used or surplus property, membership subscriptions and net currency exchange gains.

Investment revenue

89. Investment revenue includes the University's share of net cash pool revenue and revenue arising from the Endowment Fund's investment in securities. The net cash pool and Endowment Fund revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue. The net revenue for the cash pool is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

90. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets, and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

91. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances. The non-employee compensation and allowances consist of consultant and contractor fees and ad hoc experts.

92. Supplies and consumables relates to the cost of inventory used and expenses for supplies and consumables.

93. Other operating expenses include the acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and foreign exchange losses. Other expenses relate to contributions in kind, hospitality and official functions, donations and transfers of assets.

Joint arrangements

94. A joint arrangement is an arrangement in which two or more parties have joint control through a binding agreement that gives those parties joint control of the arrangement. This is a contractual arrangement whereby the University and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 37: Joint arrangements, as either:

(a) A joint operation whereby the parties to the arrangement have rights to assets and obligations for liabilities. The University will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses;

(b) A joint venture whereby the parties to the arrangement have rights to the net assets. The University will account for its interest using the equity method. The equity method initially records the interest at cost and is adjusted thereafter for the post-acquisition changes in the University's share of the net assets. The University's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

95. The University has also entered into joint-venture arrangements for jointly financed operations that give the University significant influence, that is, the power to participate in financial and operating policy decisions but not to control or jointly control those activities. Under IPSAS 37, the interests in those activities are accounted for using the equity method.

Note 4
Segment reporting

96. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.

97. Segment reporting information is provided on the basis of the two distinguishable components of the University that are engaged in achieving the operating objectives consistent with its overall mission:

(a) The UNU Centre serves as the central programming, planning and administrative headquarters unit of the University;

(b) Institutes and programmes undertake research and academic work towards achieving the goals of the University.

98. Inter-segment transactions are priced at cost-recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

Statement of financial position as at 31 December 2017

(Thousands of United States dollars)

	Reference	*Centre*	*Institutes*	*Elimination*[a]	*31 December 2017*
Assets					
Current assets					
Cash and cash equivalents	Note 6	20 007	7 486	–	27 493
Investments	Note 7	8 702	13 146	–	21 848
Voluntary contributions receivable	Note 8	2 062	9 787	–	11 849
Other receivables	Note 9	428	805	–	1 233
Inventories	Note 10	–	4	–	4
Other assets	Note 11	516	(25)	–	491
Inter-fund balances receivable		5 608	28 592	(34 200)	–
Total current assets		**37 323**	**59 795**	**(34 200)**	**62 918**
Non-current assets					
Investments	Note 7	170 189	198 191	–	368 380
Voluntary contributions receivable	Note 8	–	5 466	–	5 466
Property, plant and equipment	Note 13	37 111	13 615	–	50 726
Intangibles	Note 14	6	114	–	120
Other assets	Note 11	–	27	–	27
Total non-current assets		**207 306**	**217 413**	**–**	**424 719**
Total assets		**244 629**	**277 208**	**(34 200)**	**487 637**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	Note 15	692	1 605	–	2 297
Advance receipts	Note 16	1 350	376	–	1 726
Employee benefits liabilities	Note 17	772	1 618	–	2 390
Borrowings	Note 18	14	11	–	25
Other liabilities	Note 19	3 543	541	–	4 084
Inter-fund balances payable		27 100	7 100	(34 200)	–
Total current liabilities		**33 471**	**11 251**	**(34 200)**	**10 522**

Statement of financial position as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Reference	*Centre*	*Institutes*	*Elimination*[a]	*31 December 2017*
Non-current liabilities					
Advance receipts	Note 16	440	–	–	440
Employee benefits liabilities	Note 17	4 567	9 978	–	14 545
Borrowings	Note 18	10	13	–	23
Other liabilities	Note 19	29 046	12 209	–	41 255
Share of joint ventures: equity method	Note 28	39	38	–	77
Total non-current liabilities		**34 102**	**22 238**	**–**	**56 340**
Total liabilities		**67 573**	**33 489**	**(34 200)**	**66 862**
Net of total assets and total liabilities		**177 056**	**243 719**	**–**	**420 775**
Net assets					
Accumulated surpluses	Note 20	4 656	48 779	–	53 435
Endowment Fund	Note 21	172 400	194 940	–	367 340
Total net assets		**177 056**	**243 719**	**–**	**420 775**

[a] Eliminations comprise $34.20 million relating to inter-fund transactions between the UNU Centre and its institutes and programmes.

Statement of financial performance as at 31 December 2017

(Thousands of United States dollars)

	Reference	*Centre*	*Institutes*	*Elimination*[a]	*Total*
Revenue					
Voluntary contributions	Note 22	23 386	25 362	–	48 748
Investment revenue (net)	Note 23	17 799	20 922	–	38 721
Other revenue	Note 24	9 170	10 484	(285)	19 369
Total revenue		**50 355**	**56 768**	**(285)**	**106 838**
Expenses					
Employee salaries, allowances and benefits	Note 25	8 070	15 970	(191)	23 849
Rent, leases and utilities	Note 25	15 986	2 562	(24)	18 524
Travel	Note 25	1 248	3 496	–	4 744
Depreciation and amortization	Notes 13, 14, 25	654	849	–	1 503
Non-employee compensation and allowances	Note 25	1 142	3 301	–	4 443
Supplies and consumables	Note 25	502	599	–	1 101
Other operating expenses	Note 25	3 251	50 474	(70)	53 655
Other expenses	Note 25	3	16	–	19
Total expenses		**30 856**	**77 267**	**(285)**	**107 838**
Surplus/(deficit) for the year		**19 499**	**(20 499)**	**–**	**(1 000)**

[a] Eliminations comprise $0.29 million relating to revenue from services rendered between the UNU Centre and its institutes and programmes.

Note 5
Comparison to budget

99. The statement of comparison of budget and actual amounts presents the difference between budget amounts which are prepared on a modified cash basis and actual expenditure on a comparable basis.

100. Approved budgets are those that permit expenses to be incurred and are approved by the UNU Council. For IPSAS reporting purposes, approved budgets are the appropriations authorized for each budget area under the Council proceedings. The presentation of activities and associated expenditures in the statement of comparison of budget and actual amounts reflects the cost classification categories approved by the Council:

(a) Research, training networks and dissemination: academic activities;

(b) Staff and other personnel costs: staffing table and other personnel costs;

(c) General operating expenses: general expenses.

101. The original budget amounts are the 2017 portions of the appropriations approved by the UNU Council for the biennium 2016–2017 on 1 December 2015. Differences between original and final budget amounts are due to revised appropriations as approved by the Council, the balance of the 2016 budgets carried over to 2017 and increased authorized spending for specific programme activities that the Rector has been authorized by the Council to accept and utilize.

102. Material difference between the final budget appropriation for 2017 and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent and are considered below:

Budget area	*Material differences greater than 10 per cent*
Research, training networks and dissemination	The lower spending is attributable mainly to the timing of expenditure. The institutes received significant budget allotments for specific projects resulting from cash contributions received during the second half of 2017; however, most of the projects are to be executed in the next biennium (2018–2019).
Staff and other personnel costs	The majority of the recruitment of personnel planned at the UNU Institute on Computing and Society was deferred to the biennium 2018–2019. The Institute is adapting its personnel structure to enable it to continue to flourish, attract a strong pool of potential candidates and fill the positions.
General operating expenses	The underspending of expenses is mainly attributable to the postponement of a system upgrade to the biennium 2018–2019. In addition, proactive crisis management and regular communication within the University has led to a reduction in urgent and unplanned travel.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

103. Reconciliation between the actual amounts on a comparable basis in the comparison of budget and actual amounts and the actual amounts in the statement of cash flows are as follows:

Reconciliation between actual amounts on a comparable basis and the statement of cash flows for the year ended 31 December 2017

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on comparable basis (statement V)	**(46 845)**	**(99)**	**(31)**	**(46 975)**
Basis differences	37 292	–	–	**37 292**
Entity differences	(886)	–	–	**(886)**
Presentation differences	–	(8 838)	–	**(8 838)**
Actual amounts in statement of cash flows (statement IV)	**(10 439)**	**(8 937)**	**(31)**	**(19 407)**

104. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations, property, plant and equipment and voluntary contributions receivable are included as basis differences.

105. Entity differences represent cash flows (to)/from fund groups other than the University that are reported in the financial statements. The financial statements include results for all fund groups.

106. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements.

107. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which is primarily related to the latter not recording revenue and the changes in the investment balance.

Reconciliation of amounts on a budget basis to the statement of financial performance

108. The following table reconciles the expenditure on a budget basis as reported in the statement of comparison of budget and actual amounts to the total IPSAS expenses reported in the statement of financial performance:

Reconciliation of amounts on a budget basis to the statement of financial performance for the year ended 31 December 2017

(Thousands of United States dollars)

	Total
Actual amounts on comparable basis (statement V)	**46 975**
Additional assets and intangibles	(107)
Depreciation and amortization	1 503
Donated right-to-use arrangements	16 623
Endowment Fund expenses	886
Revaluation	(92)
Payroll related accruals and education grant prepayments	1 390
Change in obligations/effect of accruals versus obligations	786
Lease payments	(31)

	Total
Prepayments and other receivables	(36)
Other accruals	(811)
Inter-office eliminations	(94)
Gain on disposal of property, plant and equipment	(8)
Allowance for doubtful receivables	40 854
Actual amounts in statement of financial performance (statement II)	**107 838**

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cash pools (note 26)	2 453	7 561
Cash at Endowment Fund (note 26)	1 872	17 873
Other cash (note 26)	23 168	21 466
Total cash and cash equivalents	**27 493**	**46 900**

Note 7
Investments

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current investments		
Cash pools (note 26)	21 848	13 388
Total current investments	**21 848**	**13 388**
Non-current investments		
Cash pools (note 26)	6 858	6 446
Endowment Fund (note 26)	361 522	309 013
Total non-current investments	**368 380**	**315 460**
Total investments	**390 228**	**328 848**

Note 8
Voluntary contributions receivable: receivables from non-exchange transactions

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current voluntary contributions receivable		
Voluntary contributions receivable	38 335	30 795
Allowance for doubtful voluntary contributions receivable	(26 486)	(13 072)
Total current voluntary contributions receivable	**11 849**	**17 723**

	31 December 2017	*31 December 2016*
Non-current voluntary contributions receivable		
Voluntary contributions receivable	32 966	42 172
Allowance for doubtful voluntary contributions receivable	(27 500)	–
Total non-current voluntary contributions receivable	**5 466**	**42 172**
Total voluntary contributions receivable	**17 315**	**59 895**

109. The voluntary contribution receivables are reviewed annually to determine if there is any indication of impairment in value. During 2017, the allowance for doubtful receivables includes an impairment for payment instalments that are in arrears as well as all future funding instalments from a major donor.

Note 9
Other receivables: receivables from exchange transactions

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Investment receivables	548	16 965
Member States	190	225
Receivables from other United Nations entities	26	48
Staff	16	49
Other exchange revenue receivables	453	214
Total other receivables	**1 233**	**17 501**

Note 10
Inventories

(Thousands of United States dollars)

	2017	*2016*
Opening inventory as at 1 January	4	17
Purchased in period	–	8
Total inventory available	**4**	**25**
Consumption	–	(17)
Impairment and write-offs	–	(4)
Total inventory as at 31 December	**4**	**4**

Note 11
Other assets

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current other assets		
Advances to other United Nations entities	207	1 656
Advances to non-staff	122	116
Advances to staff	162	86
Total current other assets	**491**	**1 858**
Non-current other assets		
Advances to non-staff	27	27
Total non-current other assets	**27**	**27**
Total other assets	**518**	**1 885**

Note 12
Heritage assets

110. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The University's heritage assets comprise works of art, books and a statue. They were acquired over many years by various means, including purchase, donation and bequest. The heritage assets are not used in the delivery of services relating to the University's institutes or programmes; in accordance with the University's accounting policy, heritage assets are not recognized on the statement of financial position. There were no heritage assets received or disposed of during 2017.

Note 13
Property, plant and equipment

111. During the year, there was no write down of property, plant and equipment. As at the reporting date, the University did not identify any additional impairment. The depreciation charge of $1.46 million includes an adjustment of $3.07 million for fully depreciated assets that are still in use.

112. The net book value includes $49.74 million relating to right-to-use arrangements.

Property, plant and equipment: 2017

(Thousands of United States dollars)

	Buildings	*Leasehold improvements*	*Assets under construction*	*Machinery and equipment*	*Vehicles*	*Communications and information technology equipment*	*Furniture and fixtures*	*Total*
Cost as at 31 December 2016	**137 042**	**638**	**–**	**178**	**211**	**2 679**	**396**	**141 144**
Additions	–	–	–	–	35	73	15	**123**
Disposals	–	–	–	(12)	(30)	(560)	(10)	**(612)**
Cost as at 31 December 2017	**137 042**	**638**	**–**	**166**	**216**	**2 192**	**401**	**140 655**
Accumulated depreciation as at 31 December 2016	**86 273**	**96**	**–**	**91**	**134**	**2 202**	**283**	**89 079**
Depreciation charge for the period	1 029	128	–	28	19	222	35	**1 461**
Depreciation on disposals	–	–	–	(12)	(30)	(559)	(10)	**(611)**
Impairment losses (assets still not retired)	–	–	–	–	–	–	–	**–**
Accumulated depreciation as at 31 December 2017	**87 302**	**224**	**–**	**107**	**123**	**1 865**	**308**	**89 929**
Net carrying amount								
31 December 2016	50 769	542	–	87	77	477	113	52 065
31 December 2017	**49 740**	**414**	**–**	**59**	**93**	**327**	**93**	**50 726**

Note 14
Intangible assets

(Thousands of United States dollars)

	Software developed internally	*Software externally acquired*	*Total 2017*	*Total 2016*
Cost as at 1 January	**195**	**11**	**206**	**195**
Additions	–	–	–	11
Disposals	–	–	–	–
Completed assets under development	–	–	–	–
Cost as at 31 December	**195**	**11**	**206**	**206**
Accumulated amortization as at 1 January	42	2	44	3
Amortization	39	3	42	41
Impairment losses (assets still not retired)	–	–	–	–
Accumulated amortization as at 31 December	**81**	**5**	**86**	**44**
Net carrying amount	**114**	**6**	**120**	**162**

Note 15
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Vendor payables	602	65
Accruals for goods and services	1 470	1 448
Payable to other United Nations entities	120	120
Investment payable	15	16 675
Other	90	41
Total accounts payable and accrued liabilities	**2 297**	**18 349**

Note 16
Advance receipts

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current advance receipts		
Contributions received in advance	1 532	1 197
Other advance receipts	194	171
Total current advance receipts	**1 726**	**1 368**
Non-current advance receipts		
Contributions received in advance	440	294
Total non-current advance receipts	**440**	**294**
Total advance receipts	**2 166**	**1 662**

Note 17
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2017*
After-service health insurance	173	11 645	11 818
Annual leave	960	1 171	2 131
Repatriation benefits	536	1 729	2 265
Defined end-of-service/post-employment benefits liabilities	**1 669**	**14 545**	**16 214**
Accrued salaries and other staff costs	721	–	721
Total employee benefits liabilities	**2 390**	**14 545**	**16 935**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
After-service health insurance	161	8 515	8 676
Annual leave	964	1 755	2 719
Repatriation benefits	536	1 833	2 369
Defined end-of-service/post-employment benefits liabilities	**1 661**	**12 103**	**13 764**
Accrued salaries and other staff costs	553	–	553
Total employee benefits liabilities	**2 214**	**12 103**	**14 317**

113. The liabilities arising from end-of-service/post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2017.

Actuarial valuation: assumptions

114. The University reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits. The principal actuarial assumptions used to determine the employee benefits obligations as at 31 December 2017 and 31 December 2016 are as follows:

Actuarial assumptions

(Percentage)

Actuarial assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2016	4.16	3.66	3.50
Discount rates 31 December 2017	3.92	3.53	3.46
Inflation 31 December 2016	4.00-6.00	2.25	–
Inflation 31 December 2017	4.00-5.70	2.20	–

115. The discount rates reflected in the 2016 after-service liability valuations were based on a weighted blend of discount rates per currency, themselves calculated based on the United States dollar, euro and Swiss franc cash flows. The discount rate for each of the three currencies was derived from a different yield curve: the Citigroup Pension Discount Curve for the United States dollar, the Ernst & Young Eurozone corporate yield curve for the euro and the Federation bonds yield curve, plus the spread observed between government rates and high grade corporate bonds rates, for the Swiss franc. For the 2017 actuarial valuations, the yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt and detailed in the actuarial report. This is consistent with the decision of the Task Force on Accounting Standards, established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26), which were endorsed by the General Assembly in section IV of its resolution 71/272 B.

116. As at 31 December 2017, the assumptions relating to salary increases for staff in the Professional category were 8.5 per cent for the age of 23, grading down to 4.0 per cent for the age of 70. Salaries of staff in the General Service category were assumed to increase by 6.8 per cent for the age of 19, grading down to 4.0 per cent at the age of 65.

117. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2017 were updated to include escalation rates for future years. As at 31 December 2017, these escalation rates were at 4.0 per cent (2016: 4.0 per cent) for non-United States medical plans and 5.7 per cent (2016: 6.0 per cent) for all other medical plans, except 5.5 per cent (2016: 5.7 per cent) for the United States Medicare plan and 4.8 per cent (2016: 4.9 per cent) for the United States dental plan, grading down to 3.85 per cent (2016: 4.5 per cent) over 5 to 10 years for non-United States and 15 years for United States health-care costs. The assumption for 2016 was graded down over 9 years.

118. With regard to the valuation of repatriation benefits as at 31 December 2017, inflation in travel costs was assumed to be 2.20 per cent (2016: 2.25 per cent), on the basis of the projected United States inflation rate over the next 20 years. The assumption for 2016 was on the basis of the next 10 years.

119. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1–3 years, 9.1 per cent;

4–8 years, 1 per cent; and more than eight years, 0.1 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

120. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Movement in post-employment benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	2017	*2016*
Net defined-benefit liability as at 1 January	**12 691**	**11 698**
Current service cost	986	921
Interest cost	492	468
Total costs recognized in the statement of financial performance	**1 478**	**1 389**
Benefits paid	(611)	(762)
Actuarial losses recognized directly in the statement of changes in net assets[a]	1 597	366
Net defined-benefits liability as at 31 December	**15 155**	**12 691**

[a] The net cumulative amount of actuarial gains recognized in the statement of changes in net assets is $1.7 million (2016: $3.3 million).

Discount rate sensitivity analysis

121. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bond markets varied over the reporting period, and volatility has an impact on the discount rate assumption. Should the assumption vary by 1 per cent, its impact on the obligations would be as follows:

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2017	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(2 080)	(166)	(103)
As a percentage of year-end liability	(18)	(8)	(8)
Decrease of discount rate by 1 per cent	2 747	194	119
As a percentage of year-end liability	23	10	9

31 December 2016	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(1 427)	(187)	(143)
As a percentage of year-end liability	(16)	(9)	(7)
Decrease of discount rate by 1 per cent	1 820	213	166
As a percentage of year-end liability	21	11	8

Medical costs sensitivity analysis

122. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined-benefits obligations, as follows:

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars and percentage)

2017	*Increase*		*Decrease*	
Effect on the defined-benefits obligation	23.46%	2 773	(18.06%)	(2 134)
Effect on the aggregate of the current service cost and interest cost	3.05%	360	(2.27%)	(268)
Total effect		**3 133**		**(2 402)**

2016	*Increase*		*Decrease*	
Effect on the defined-benefits obligation	21.60%	1 874	(16.84%)	(1 461)
Effect on the aggregate of the current service cost and interest cost	3.01%	261	(2.24%)	(194)
Total effect		**2 135**		**(1 655)**

Other defined-benefits plan information

123. Benefits paid for 2017 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the following table.

Estimated defined-benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	***Total***
2018	211	231	143	**585**
2017	180	283	170	**633**

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

	2016	*2015*	*2014*	*2013*	*2012*
Present value of the defined-benefit obligations	12 691	11 698	16 579	12 063	10 674

Accrued salaries and other staff costs

124. Accrued salaries and other staff costs comprise $0.45 million (2016: $0.41 million) in United Nations tax reimbursements, home leave of $0.21 million

(2016: $0.12 million) and $0.06 million (2016: $0.02 million) relating to termination indemnity.

United Nations Joint Staff Pension Fund

125. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

126. The University's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with a share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to the deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

127. During 2017, the Fund identified that there were anomalies in the census data utilized in the actuarial valuation performed as at 31 December 2015. As such, as an exception to the normal biannual cycle, a roll-forward of the participation data as at 31 December 2013 to 31 December 2016 was used by the Fund for its 2016 financial statements. An actuarial valuation as at 31 December 2017 is currently being performed.

128. The roll-forward of the participation data as at 31 December 2013 to 31 December 2016 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 150.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 101.4 per cent (91.20 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.

129. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2016, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

130. During 2017, the University's contributions to the Pension Fund amounted to $2.11 million (2016: $2.12 million). Contributions due in 2018 are expected to amount to $2.21 million.

131. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on the Fund website (www.unjspf.org).

Fund for compensation payments: Appendix D/workers' compensation

132. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The fund allows the University to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1 per cent of the net base remuneration, including post adjustment for

eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payments for injury or illness as well as medical expenses.

Impact of General Assembly resolutions on staff benefits

133. On 23 December 2015, the General Assembly adopted resolution 70/244, by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes affect the calculation of other long-term and end-of-service employee benefits liabilities. In addition, a revised education grant scheme has been implemented that affects the computation of this short-term benefit. The impact of these changes are explained as follows:

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement is 65 for staff who joined the United Nations on or after 1 January 2014 and 60 or 62 for those who joined before 1 January 2014. The General Assembly decided to extend the mandatory age of separation to 65 years for staff recruited before 1 January 2014 by organizations of the United Nations common system, at the latest by 1 January 2018, taking into account the acquired rights of staff. This change has been implemented as of 1 January 2018 and affects future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service categories) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017 and this was implemented in September 2017. The dependency rate was replaced by allowances for staff members who have recognized dependents in accordance with the Staff Regulations of the United Nations and Staff Rules. Revised staff assessment and pensionable remuneration scales were implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. It is expected, however, that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members have been eligible to receive a repatriation grant upon separation from service provided they have served for at least one year in a duty station outside their country of nationality. The General Assembly revised eligibility for the repatriation grant to five years of service for prospective employees. This change in eligibility criteria was implemented effective 1 January 2017 in September 2017 and is expected to affect future calculations of employee benefits liabilities.
Education Grant	With effect from the school year in progress on 1 January 2018, the computation of education grant given to eligible staff members utilizes a global sliding scale that is set in one single currency (United States dollars), with the same maximum amount of the grant for all countries. This revised education grant scheme also changes boarding assistance and education grant travel provided by the Organization. The effects will be seen at the end of the 2017–2018 school year and at the time of settlement of claims.

134. The impacts of these changes, other than the education grant, have been fully reflected in the actuarial valuation conducted in 2017.

Note 18
Borrowings

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Current		
Finance leases (note 29)	25	32
Operating lease straight lining liability	–	–
Total current borrowings	**25**	**32**
Non-current		
Finance leases (note 29)	23	32
Operating lease straight lining liability	–	–
Total non-current borrowings	**23**	**32**
Total borrowings	**48**	**64**

Note 19
Other liabilities

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Donated right-to-use buildings (note 29)		
Current	4 084	4 084
Non-current	41 255	45 339
Total other liabilities	**45 339**	**49 423**

Note 20
Net assets: accumulated surpluses/(deficits)

(Thousands of United States dollars)

	Operating funds	*End-of-service liabilities fund*	*Total 2017*	*Total 2016*
Balance as at 1 January	**69 838**	**(14 091)**	**55 747**	**58 431**
Actuarial losses recognized in net assets	–	(1 597)	**(1 597)**	**(366)**
Share of changes recognized on the net assets of joint ventures: equity method	(19)	–	**(19)**	**(2)**
Surplus/(deficit) for the year	595	(1 291)	**(696)**	**(2 316)**
Balance as at 31 December	**70 414**	**(16 979)**	**53 435**	**55 747**

Note 21
Net assets: Endowment Fund

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Contributed capital (restricted)	273 506	273 506
Accumulated surpluses (restricted)	93 834	94 138
Total Endowment Fund net assets	**367 340**	**367 644**

Movement in Endowment Fund
Contributed capital (restricted)

(Thousands of United States dollars)

	2017	2016
Balance as at 1 January	**273 506**	**272 133**
Endowment Fund received	–	1 373
Balance as at 31 December	**273 506**	**273 506**

Accumulated surpluses/(deficits): restricted

(Thousands of United States dollars)

	2017	2016
Balance as at 1 January	**94 138**	**117 001**
Distribution to operating funds	(16 058)	(16 641)
Surplus for the year	51 358	3 911
Allowance for doubtful receivables	(35 604)	(10 133)
Balance as at 31 December	**93 834**	**94 138**

Note 22
Voluntary contributions: revenue from non-exchange transactions

(Thousands of United States dollars)

	31 December 2017	31 December 2016
Voluntary monetary contributions	28 117	29 404
Voluntary in-kind contributions	20 707	20 149
Total voluntary contributions received	**48 824**	**49 553**
Refunds	(76)	(26)
Net voluntary contributions received	**48 748**	**49 527**

135. A case-by-case analysis of all non-exchange revenue agreements has been undertaken against the criteria laid down in IPSAS 23. The non-exchange revenue comprises cash and cash equivalents of $25.3 million and voluntary contribution receivables of $2.8 million that are subject to general stipulations in the agreements that do not qualify as conditions. UNU has had a positive experience with donors

which pay the instalments due regularly. Historically, UNU has never breached stipulations and donors have not been prompted to demand refunds or reimbursements.

136. In-kind contributions revenue represents donated right-to-use facilities and premises based on fair rental value. In-kind contributions of services received of $0.23 million during the period are not recognized as revenue and therefore are not included in the above in-kind contributions revenue.

Note 23
Net investments revenue

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Summary of revenue and expense from cash pool		
Investment revenue	365	215
Change in fair value	(18)	(52)
Unrealized gains	27	–
Net cash pool revenue	**374**	**163**
Summary of revenue from Endowment Fund		
Investment revenue	8 086	7 182
Realized gain on sale and maturities of securities	49 405	8 883
Change in fair value	(19 144)	(2 897)
Net Endowment Fund revenue	**38 347**	**13 168**
Total net investment revenue	**38 721**	**13 331**

Note 24
Other revenue: revenue from exchange transactions

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Publications sales and royalties	14	13
Services rendered	997	802
Rental revenue	1 591	1 504
Tuition revenue	217	179
Membership fees	87	121
Foreign exchange gains	16 310	–
Other	153	703
Total other revenue	**19 369**	**3 322**

Note 25
Expenses

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Employee salaries, allowances and benefits		
Salary and wages	18 161	17 699
Pension benefits	2 109	2 123
Termination and post-employment benefits	1 137	1 302
Appointment and assignment	436	258
Leave benefits	275	367
Other staff benefits	1 731	1 135
Total employee salaries, allowances and benefits	**23 849**	**22 884**
Rent, leases and utilities		
Rent, leases and utilities	18 524	17 649
Total rent, leases and utilities	**18 524**	**17 649**
Travel		
Travel	4 744	5 327
Total travel	**4 744**	**5 327**
Depreciation and amortization		
Depreciation	1 503	4 541
Amortization	–	41
Total depreciation and amortization	**1 503**	**4 582**
Non-employee compensation and allowances		
Contract services with individuals	4 443	5 084
Total non-employee compensation and allowances	**4 443**	**5 084**
Supplies and consumables		
Information technology and communications equipment	586	476
Equipment	83	59
Information technology supplies and software maintenance	261	297
Office supplies	141	116
Other consumables	30	36
Total supplies and consumables	**1 101**	**984**
Other operating expenses		
Contractual services with companies	5 612	5 743
Learning costs	2 311	2 673
Maintenance costs	1 574	1 525
Professional services	1 664	1 584
Communications	1 209	1 269
Insurance/warranties	89	60
Recruitment costs	87	161

	31 December 2017	*31 December 2016*
Security	70	80
Freight costs	6	20
Allowance for doubtful receivables	40 854	12 883
Share of deficit/(surplus) joint ventures: equity method	4	(12)
Sundries	175	271
Foreign exchange losses	–	7 197
Total other operating expenses	**53 655**	**33 454**
Other expenses		
Hospitality	19	22
Total other expenses	**19**	**22**
Total expenses	**107 838**	**89 986**

Note 26
Financial instruments, financial risk management and the cash pools

137. The following table shows the classes of financial instruments at UNU.

Financial assets

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Designated at fair value through surplus or deficit		
Short-term investments: main cash pool	21 848	13 388
Total short-term investments	**21 848**	**13 388**
Long-term investments: main cash pool	6 858	6 446
Long-term investments: Endowment Fund	361 522	309 013
Total long-term investments	**368 380**	**315 460**
Total designated at fair value through surplus or deficit investments	**390 228**	**328 848**
Cash and cash equivalents		
Cash and cash equivalents: main cash pool	2 453	7 561
Cash and cash equivalents: Endowment Fund	1 872	17 873
Cash and cash equivalents: other	23 168	21 466
Total cash and cash equivalents	**27 493**	**46 900**
Loans and receivables		
Short-term receivables: voluntary contributions receivable	11 849	17 723
Short-term receivables: other receivables	1 233	17 501
Long-term receivables: voluntary contributions receivable	5 466	42 172
Total cash and cash equivalents, loans and receivables	**46 041**	**124 296**
Total carrying amount of financial assets	**436 269**	**453 144**
Of which relates to financial assets held in main cash pool	31 159	27 395
Of which relates to financial assets held in Endowment Fund	363 394	326 886

	31 December 2017	31 December 2016
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	2 297	18 349
Total carrying amount of financial liabilities	**2 297**	**18 349**
Summary of net revenue from financial assets		
Net cash pool revenue	374	163
Net Endowment Fund revenue	38 347	13 168
Total net revenue from financial assets	**38 721**	**13 331**

138. The University has exposure to the following financial risks, arising mainly from investments in cash pools and the Endowment Fund:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk, including interest rate risk, foreign exchange risk and price risk.

139. The present note and note 27, Financial instruments: Endowment Fund, present information on the University's exposure to these risks; the objectives, policies and processes for measuring and managing risk; and the management of capital.

Financial risk management: risk management framework

140. The investment management function is centralized at United Nations Headquarters, and the University is not permitted in normal circumstances to engage in investing. The risk management practices of UNU are in accordance with the Financial Regulations and Rules of the United Nations and the Investment Management Guidelines. The University may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

141. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

142. The objectives of investment management are to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

143. An Investment Committee periodically evaluates investment performance, assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

144. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables.

Maximum exposure to credit risk

145. The maximum exposure to credit risk of financial assets equals their carrying amount at the end of the financial reporting period. The following table represents the entity's maximum exposure to credit risk of financial instruments, before taking into

account any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Credit risk exposure		
Cash and cash equivalents	27 493	46 900
Short-term investments	21 848	13 388
Long-term investments (excludes equity investments)	186 859	139 640
Voluntary contributions receivable	17 315	59 895
Other receivables, excluding advances and deferred charges	1 233	17 501
Total	**254 748**	**277 324**

146. There is no collateral held as security or other credit enhancement.

Credit risk: contributions receivable and other receivables

147. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities, which do not have significant credit risk.

Ageing of voluntary contributions and other receivables as at 31 December 2017

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	46 178	(33 750)
Less than 1 year	10 688	(6 500)
1 to 3 years	15 415	(13 544)
More than three years	253	(192)
Total	**72 534**	**(53 986)**

148. The allowance for doubtful receivables includes an impairment estimate of $40.3 million which has been recognized in the statement of financial performance. This impairment represents payment instalments in arrears as well as the future funding instalments from a multi-year agreement with a major donor that is facing financial difficulty.

Credit risk: cash and cash equivalents

149. The University had cash and cash equivalents of $27.49 million as at 31 December 2017, which is the maximum credit exposure on these assets.

Credit risk: main pool

150. In addition to directly held cash and cash equivalents and investments, UNU participates in the United Nations Treasury main pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

151. Pooling funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across

a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

152. As at 31 December 2017, UNU participated in the main pool, which held total assets of $8,086.5 million (2016: $9,033.6 million), of which $31.2 million was due to UNU (2016: $27.4 million, including participation in the main pool) and its share of revenue from the main pool was $0.4 million (2016: $0.2 million).

Summary of assets and liabilities of the main pool as at 31 December 2017

(Thousands of United States dollars)

	Main pool
Fair value through surplus or deficit	
Short-term investments	5 645 952
Long-term investments	1 779 739
Total fair value through surplus or deficit investments	**7 425 691**
Loans and receivables	
Cash and cash equivalents	636 711
Accrued investment revenue	24 098
Total loans and receivables	**660 809**
Total carrying amount of financial assets	**8 086 500**
Cash pool liabilities	
Payable to UNU	31 159
Payable to other cash pool participants	8 055 341
Total liabilities	**8 086 500**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2017

(Thousands of United States dollars)

	Main pool
Investment revenue	104 576
Unrealized gains	874
Investment revenue from cash pools	**105 450**
Foreign exchange gains	7 824
Bank fees	(853)
Net operating revenue from cash pools	**6 971**
Revenue and expenses from cash pools	**112 421**

Summary of assets and liabilities of the cash pools as at 31 December 2016

(Thousands of United States dollars)

	Main pool
Fair value through surplus or deficit	
Short-term investments	4 389 616
Long-term investments	2 125 718
Total fair value through surplus or deficit investments	**6 515 334**
Loans and receivables	
Cash and cash equivalents	2 493 332
Accrued investment revenue	24 961
Total loans and receivables	**2 518 293**
Total carrying amount of financial assets	**9 033 627**
Cash pool liabilities	
Payable to UNU	27 395
Payable to other cash pool participants	9 006 232
Total liabilities	**9 033 627**
Net assets	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2016

(Thousands of United States dollars)

	Main pool
Investment revenue	73 903
Unrealized losses	(13 474)
Investment revenue from cash pools	**60 429**
Foreign exchange losses	(5 105)
Bank fees	(646)
Operating expenses from cash pools	**(5 751)**
Revenue and expenses from cash pools	**54 678**

Financial risk management

153. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Guidelines.

154. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

155. An Investment Committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

156. The Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed or mortgage-backed securities or equity products.

157. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

158. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pools by credit ratings as at 31 December 2017

(Percentage)

Main pool	*Ratings as at 31 December 2017*				*Ratings as at 31 December 2016*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*	*AAA*	*AA+/AA/AA-*	*BBB*	*Not rated*
Standard & Poor's	30.5	65.5	4.0	–	33.6	55.1	5.6	5.7
Fitch	61.3	30.6	–	8.1	62.4	28.3		9.3
	Aaa	*Aa1/Aa2/Aa3*			*Aaa*	*Aa1/Aa2/Aa3*		
Moody's	55.3	44.7			50.3	49.7		
Commercial papers (short-term ratings)								
	A-1+/A-1				*A-1*			
Standard & Poor's	100.0				100.0			
	F1				*F1*			
Fitch	100.0				100.0			
	P-1				*P-1*			
Moody's	100.0				100.0			
Reverse repurchase agreement (short-term ratings)								
	A-1+				*A-1+*			
Standard & Poor's	100.0				100.0			
	F1+				*F1+*			
Fitch	100.0				100.0			
	P-1				*P-1*			
Moody's	100.0				100.0			
Term deposits (Fitch viability ratings)								
	aaa	*aa/aa-*	*a+/a/a-*		*Aaa*	*aa/aa-*	*a+/a*	
Fitch	–	44.2	55.8		–	48.1	51.9	

159. The United Nations Treasury actively monitors credit ratings and, because the Organization has invested only in securities with high credit ratings, management

does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

160. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

161. The table below provides an analysis of total assets into relevant maturity terms based on remaining contractual maturities:

Maturities for financial assets as at 31 December 2017

(Thousands of United States dollars)

	Less than 1 year	*1 to 5 years*	*Longer than 5 years*	*Total*
Assets				
Cash and cash equivalents	27 493	–	–	27 493
Short-term investments	21 848	–	–	21 848
Long-term investments	–	6 858	361 522	368 380
Voluntary contributions receivable	11 849	5 466	–	17 315
Other receivables	1 233	–	–	1 233
Total financial assets	**62 423**	**12 324**	**361 522**	**436 269**

Maturities for financial liabilities as at 31 December 2017

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	2 297	–	–	2 297
Total	**2 297**	–	–	**2 297**

Financial risk management: interest rate risk

162. The main pool comprises the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2016: five years). The average duration of the main pool was 0.61 years (2016: 0.71 years), which is considered to be an indicator of low risk.

Main pool interest rate risk sensitivity analysis

163. The main pool interest rate risk sensitivity analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact

of a shift up or down of up to 200 basis point in the yield curve is shown (100 basis points equals 1 per cent). These basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2017

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	95.47	71.60	47.73	23.86	–	(23.86)	(47.72)	(71.57)	(95.42)

Main pool interest rate risk sensitivity analysis as at 31 December 2016

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	124.35	93.26	62.17	31.08	–	(31.08)	(62.14)	(93.21)	(124.27)

Currency exposure for the University's share of cash pools as at 31 December 2017

(Thousands of United States dollars)

	United States dollars	*Total*
Main cash pool	31 159	31 159
Total	**31 159**	**31 159**

Other market price risk

164. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

165. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

166. The levels are defined as:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

(c) Level 3: inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

167. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-

length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

168. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in level 2.

169. The following fair value hierarchy presents the main pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporate	355 262	–	355 262	697 676	–	697 676
Bonds: non-United States agencies	1 190 050	–	1 190 050	1 903 557	–	1 903 557
Bonds: non-United States sovereigns	124 892	–	124 892	124 854	–	124 854
Bonds: supranational	173 275	–	173 275	213 224	–	213 224
Bonds: United States treasuries	610 267	–	610 267	586 739	–	586 739
Main pool: commercial papers	671 945	–	671 945	149 285	–	149 284
Main pool: term deposits	–	4 300 000	4 300 000	–	2 840 000	2 840 000
Main pool total	**3 125 691**	**4 300 000**	**7 425 691**	**3 675 334**	**2 840 000**	**6 515 334**

Note 27
Financial instruments: Endowment Fund

170. The fiduciary responsibility for the investment of the assets of the UNU Endowment Fund resides with the Secretary-General of the United Nations. The Secretary-General has delegated such responsibilities to the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund, and in turn, the Representative of the Secretary-General is assisted by the Investment Management Division of the Pension Fund in connection with the fulfilment of these responsibilities.

171. The Representative of the Secretary-General, with the assistance of the Investment Management Division of the Fund, reviews the UNU Endowment Fund portfolio and monitors the performance of the Fund's investment manager on an ongoing basis. The United Nations Investment Committee provides oversight and advice for the investment of the assets of the Endowment Fund.

172. The investments of the Endowment Fund are managed by a global investment management firm and overseen by the Investment Management Division and the Representative of the Secretary-General. In the fourth quarter of 2017, UNU changed its investment portfolio management strategy from active investing to passive investing through the appointment of a new investment management firm, after a thorough selection process, to deliver on the mandate for global balanced indexation. The investment portfolio is invested in exchange-traded funds with the aim of achieving a return on investment that reflects the return of its benchmark indexes, which are the Morgan Stanley Capital International All Country World Investible

Market Index for equities and the Bloomberg Barclays United States Aggregate Bond Index for bonds.

173. The investment management objectives as set by the General Assembly for the Investment Management Division of the Pension Fund are as follows:

(a) **Safety**, which is achieved by ensuring adequate asset class, geographic, currency, sector and industry diversification, by carefully researching and documenting investment recommendations and constantly reviewing the portfolio in order to take advantage of the unsynchronized economic cycles, market and currency movements. Asset classes are all subject to market risk; security is a relative term;

(b) **Liquidity**, which requires ready marketability of the assets in recognized sound, stable and competitive exchanges or markets. Liquidity is required to ensure that the portfolio can be restructured in the shortest possible time in order to enhance total return and/or to minimize potential losses;

(c) **Profitability**, which requires that each investment at the time of purchase should be expected to earn a positive total return, taking into account potential risk, particularly market risk which is common to all securities of the same general class and commonly can be mitigated but not eliminated by diversification;

(d) **Convertibility**, which is the ability to readily convert investments into liquid currencies. Convertibility facilitates payments in local currencies. The fiduciary responsibility to the Fund's participants mandates that because of the United States dollar based market valuation of the Fund, and the United States dollar based appraisal of its actuarial soundness, all investments should be readily and fully convertible into United States dollars.

174. The approved strategic asset allocation and policy benchmark for the UNU Endowment Fund is as follows:

Asset class	*Benchmark index*	*Strategic benchmark allocation weight (percentage)*
Equities	Morgan Stanley Capital International All Country World Investible Market Index	50
Bonds	Bloomberg Barclays United States Aggregate Bond Index	50
Total		**100**

175. The previous strategic asset allocation was as follows:

Asset class	*Benchmark index*	*Strategic benchmark allocation weight (percentage)*
Equities	Morgan Stanley Capital International World Index	50
Bonds	World Government Bond Index	45
Cash	Citigroup 3-month Treasury Bill Index	5
Total		**100**

176. As compared with the previous strategic asset allocation, the benchmark for bonds has been changed to: (a) reduce foreign exchange risk; (b) include investment grade fixed income bonds; and (c) reduce the impact of negative yield in some markets.

177. In accordance with a decision of the UNU Council at its forty-sixth session, cash withdrawal from the Endowment Fund to finance the biennial budget is limited to 5 per cent annually of the five-year average market value.

Financial risk management

178. The Representative of the Secretary-General for the investment of the assets of the Pension Fund, with the assistance of the Investment Management Division, approves the strategic asset allocation, investment performance targets and investment guidelines and policies. In addition, the performance of the Endowment Fund portfolio is monitored on an ongoing basis.

179. An Investment Committee periodically evaluates investment performance and assesses compliance with the Investment Management Guidelines and makes recommendations for updates thereto.

180. The following table provides a summary of the Endowment Fund investments by asset class:

	31 December 2017	*31 December 2016*
Equities	181 520	175 819
Bonds	180 002	133 194
Cash	1 872	17 873
Financial assets held in the Endowment Fund	**363 394**	**326 886**

Financial risk management: credit risk

181. UNU aims to minimize its credit risk through the application of risk management policies overseen by the Investment Management Division and the Representative of the Secretary-General for the investment of the assets of the Pension Fund.

182. For management of credit risk arising from financial transactions with counterparties, which encompasses issuer risk on marketable securities, settlement risk on derivative and money market contracts, counterparties are limited to major banks and financial institutions and the policy restricts the exposure to any one counterparty by setting credit limits taking into account the credit quality of the counterparty. The exposure to credit risk primarily arises from the University's bond investments. It manages this risk through appropriate investment policies whereby the University is allowed to invest only in bonds with an investment grade assigned by at least one well-known rating agency: Standard and Poor's, Moody's or Fitch.

183. The University annually reviews the credit limits applied and regularly monitors the counterparties' credit quality reflecting market credit conditions. At year-end, the credit ratings were:

Endowment Fund credit ratings

31 December 2017	*Total*	*Ratings*
Cash and cash equivalents	1 872	Fitch: 100% F1+
Bonds	180 002	Long-term Standard & Poor's: 71.9% AAA; 3% AA; 0.2% A+; 11.3% A; 13.6% BBB
Total	**181 874**	

31 December 2016	*Total*	*Ratings*
Cash and cash equivalent	17 873	Fitch: 100% F1+
Bonds	133 194	Moody's: 47.88% Aaa; 9.08% Aa1; 11.85% Aa2; 5.3% Aa3; 10.58% A1; 1.01% A2; 10.41% Baa2 Fitch: 2.7% AA+; 1.19% AA-
Total	**151 067**	

184. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk. For bond investments, the credit risk concentration is monitored based on sector.

Endowment Fund credit risk concentration for bonds[a]

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Sector		
Treasury	68 023	73 496
Government related	11 520	59 698
Corporate	46 404	–
Securitized	54 055	–
Total bonds	**180 002**	**133 194**

[a] Comparative figures for the analysis of Endowment Fund credit risk concentration for bonds have been restated for presentation purposes.

Endowment Fund risk concentration for equities[a]

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Region		
America	94 341	119 343
Emerging markets	21 062	1 027
Developed markets	66 117	55 449
Total equities	**181 520**	**175 819**

[a] Comparative figures for the analysis of Endowment Fund risk concentration for equities have been restated for presentation purposes.

Financial risk management: liquidity risk

185. The University's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed contributions and the ability to sell investments.

186. The University considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and contributions receivable. The entity's existing cash resources and contributions receivable significantly exceed the current cash outflow requirements.

Financial risk management: interest rate risk

187. As at 31 December 2017, the effective duration of bonds held by UNU was 5.77 years (2016: 7.52 years).

Endowment Fund interest rate risk sensitivity analysis

188. A change of 200 basis points in interest rates at the reporting date (assuming that all other variables, particularly currency exchange rates, remain constant) would have increased/(decreased) net assets and surplus or deficit as follows:

Endowment Fund interest rate risk sensitivity analysis

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Sensitivity analysis									
31 December 2017	**20.8**	**15.6**	**10.4**	**5.2**	**–**	**(5.2)**	**(10.4)**	**(15.6)**	**(20.8)**
31 December 2016	**22.6**	**16.5**	**10.7**	**5.2**	**–**	**(4.8)**	**(9.4)**	**(13.6)**	**(17.4)**

Market risk: currency risk

189. The following table summarizes the net open position by currency at the end of the financial reporting period, mainly euros, British pounds and Japanese yen.

Currency exposure for the Endowment Fund

(Undiscounted thousands of United States dollars)

	United States dollars	*Euros*	*British pounds*	*Japanese yen*	*Other*	*Total*
31 December 2017	278 563	19 090	10 918	15 017	40 339	363 927
31 December 2016	178 455	54 093	15 159	42 598	36 869	327 174

Currency risk: sensitivity analysis

190. The following table indicates the currencies to which UNU had significant exposure as at 31 December 2017. The analysis calculates the effect of a reasonably possible movement of United States dollars against the respective currency rate on net assets and on surplus and deficits with all other variables held constant.

Endowment Fund currency exposure sensitivity analysis

(Thousands of United States dollars)

	31 December 2017		*31 December 2016*	
	Net assets and surplus or deficit		*Net assets and surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	(1 735)	2 121	(4 918)	6 010
British pound (10 per cent movement)	(993)	1 213	(1 378)	1 684
Japanese yen (10 per cent movement)	(1 365)	1 669	(3 873)	4 733
Other (10 per cent movement)	(3 667)	4 482	(3 352)	4 097

Other market price risk

191. The University's exposure to other price risk arises mainly from investments in equities of the Endowment Fund. Had the market price of equities increased/decreased by 5 per cent, the surplus or deficit would have increased/decreased by $9.1 million with an equal change in net assets (2016: $8.8 million).

192. The University is not exposed to significant other price risk, as it does not sell short, borrow securities or purchase securities on margin, all of which limits the potential loss of capital.

Fair value hierarchy

193. The following fair value hierarchy presents the Endowment Fund investment assets that are measured at fair value at the reporting date analysed by various levels within the fair value hierarchy. There were no level 3 financial assets, any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2017			*31 December 2016*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Equities	181 520	–	181 520	175 819	–	175 819
Bonds	180 002	–	180 002	–	133 194	133 194
Total	**361 522**	**–**	**361 522**	**175 819**	**133 194**	**309 013**

Note 28
Related parties

Key management personnel

194. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the University. For the University, the key management personnel group comprises the Rector, the Senior Vice-Rector, the Vice-Rector, the Director of Administration and the Executive Officer. They have the relevant authority and responsibility for planning, directing and controlling the University's activities.

195. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

Key management personnel as at 31 December 2017

	Total
Number of positions (full-time equivalents)	5

(Thousands of United States dollars)

	Total
Salary and post adjustment	908
Other compensation/entitlements	228
Non-monetary compensation	333
Total remuneration for the year ended 31 December 2017	**1 469**
Outstanding loans and advances at 31 December 2017	–

196. An official residence, provided free of charge by the Ministry of Education, Culture, Sports, Science and Technology of Japan, is made available to the Rector in the UNU headquarters building. A monthly fixed amount is charged to the Rector for utilities and maintenance of the official residence.

197. No close family member of key management personnel was employed by the University at the management level. Advances made to key management personnel are those made against entitlements in accordance with staff rules and regulations; any such advances against entitlements are widely available to all staff of the University.

Related entity transactions: Japan Foundation for the United Nations University

198. In accordance with its articles of incorporation, the purpose of the Japan Foundation for the United Nations University is, in accordance with the spirit of the UNU charter, to contribute to the development of UNU by providing it with necessary assistance and cooperation for the solution of urgent and global problems relating to the survival, welfare and development of humankind and to promote the spreading of knowledge for the solution of global problems, thereby contributing to the advancement of science and technology, the promotion of international mutual understanding and technological cooperation with developing countries.

199. Established in 1985, the Japan Foundation is an autonomous organization subject to Japanese laws and regulations and its articles of incorporation. It is governed by a board that provides oversight on all operations and activities. The University has a memorandum of understanding with the Foundation that sets out the cooperative relationship between UNU and the Foundation and regulates the use of the University's name and logo.

200. The Japan Foundation provides UNU with annual revenue and expense reports. The reports show the total contributions received by the Foundation and the amount withheld to cover the costs of its activities (which are fully funded by the Foundation's investment revenue and reserves).

201. During 2017, the unaudited total net cash contribution of $0.33 million, which includes the rental of office space at the UNU headquarters building in Tokyo

($0.04 million), was transferred by the Japan Foundation to the University. Of that amount, $0.26 million was received by the Foundation and $0.07 million came from its reserves. The reserves balance of the Foundation amounted to $5.95 million (unaudited) as at 31 December 2017.

Related entity transactions: joint venture operations over which the University has significant influence accounted for using the equity method

202. Jointly financed operations relating to safety and security, and to the United Nations System Chief Executives Board for Coordination salary survey, are established under binding agreements. The University has significant influence over these activities which, under IPSAS 8: Interests in joint ventures, is the power to participate in the financial and operating policy decisions of the activities but without control or joint control over these activities. The University's interest in these activities is its share of these activities' net liabilities, which is based on the funding apportionment percentage. These cost-sharing ratios vary to reflect key factors such as the number of employees and the total space occupied. Since all of these activities are in a net liability position, this is recognized as a non-current liability in the statement of financial position. The University's share of these activities' operating deficit for the year ended 31 December 2017 was $0.004 million which was recognized in the statement of financial performance. Where activities also have transactions that are recorded directly in net assets, the University's share of these transactions is accounted for through the statement of changes in net assets; and the balance related to the actuarial gains/losses relating to the employee benefits liability valuation is recognized in the statement of financial performance. Movements in the jointly controlled operations for the year are reflected in the following table.

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cost as at 1 January	54	64
Movement for the year:		
Changes in net assets of jointly controlled operations recognized through statement of changes in net assets	19	2
Share of deficit/(surplus) for the year in operations of jointly controlled operations recognized through statement of financial performance	4	(12)
Total changes in jointly controlled operations for the year	**23**	**(10)**
Net liability reported in statement of financial position	**77**	**54**

203. No contingent liabilities arise from the University's interest in jointly controlled entities or joint venture operations over which the University has significant influence.

Note 29
Leases and commitments

Finance leases

204. The University enters into finance leases for the use of buildings, machinery and equipment and furniture and fixtures. The net year-end carrying value for each class of asset is as follows:

Net finance lease asset carrying value

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Buildings	49 739	50 768
Machinery and equipment	2	3
Furniture and fixtures	45	56
Total net finance lease asset carrying value	**49 786**	**50 827**

205. Other liabilities include $45.34 million for assets under long-term donated right-to-use arrangements classified as finance leases in the statement of financial position. Premises categorized as finance leases are the University headquarters building in Tokyo; Casa Silva Mendes in Macao, China; the UNU-IIGH building in Kuala Lumpur; and the Director's residence in Accra.

206. Future minimum finance lease payments under non-cancellable finance lease arrangements for machinery and equipment and furniture and fixtures are:

Obligations for finance leases

(Thousands of United States dollars)

Minimum lease payments as at	*31 December 2017*	*31 December 2016*
Due in less than 1 year	32	32
Due 1 to 5 years	16	32
Due later than 5 years	–	–
Total minimum finance lease obligations	**48**	**64**
Future finance charges	**–**	**–**
Future minimum finance lease obligations	**48**	**64**

Operating leases

207. The University enters into operating lease arrangements for the use of buildings and photocopiers. The total operating lease payments recognized in expenses for the year were $21.55 million. This total includes $20.71 million towards donated right-to-use arrangements, for which corresponding revenue is recognized in the statement of financial performance and presented within voluntary contributions revenue. Future minimum operating lease payments under non-cancellable arrangements are as follows:

Obligations for operating leases

(Thousands of United States dollars)

Minimum lease payments as at	*31 December 2017*	*31 December 2016*
Due in less than 1 year	664	717
Due 1 to 5 years	1 338	1 497
Due later than 5 years	4 238	3 661
Total minimum operating lease obligations	**6 240**	**5 875**

208. These contractual leases are typically between one to seven years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term taking into consideration contract annual lease payment increases in accordance with lease agreements.

Contractual commitments

209. At the reporting date, the commitments for property, plant and equipment and goods and services contracted but not delivered were:

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Property, plant and equipment	–	195
Goods and services	12 536	12 510
Total	**12 536**	**12 705**

210. Goods and services disclosed include contracts issued to individual contractors amounting to $8.21 million and contracts on building maintenance, cleaning and security services for the University headquarters building in Tokyo amounting to $1.06 million.

Note 30
Provisions, contingent liabilities and contingent assets

Provisions and contingent liabilities

211. Provisions are recognized as liabilities when the University has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenses required to settle the present obligation at the reporting date. The estimate is discounted where the effect of the time value of money is material. Contingent liabilities are disclosed for pending claims when the probability of outcome cannot be determined and the amount of loss cannot be reasonably estimated. As at 31 December 2017, there were no material provisions recognized or contingent liabilities to disclose.

Contingent assets

212. In accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets, contingent assets are disclosed where an event will give rise to a probable inflow of economic benefits to the University. As at 31 December 2017, the University had no contingent assets.

Note 31
Events after the reporting date

213. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Annex I

Statement of financial position as at 31 December 2017, by operating fund

(Thousands of United States dollars)

	Operating funds									
	UNU Centre	*UNU headquarters building*	*UNU-WIDER*	*UNU-MERIT*	*UNU-CS*	*UNU-INRA*	*UNU-BIOLAC*	*UNU-IAS*	*UNU-INWEH*	*UNU-CRIS*
Assets										
Current assets										
Cash and cash equivalents	19 141	–	1 774	1 720	125	–	–	–	1 573	–
Investments	8 703	–	7 659	5 291	195	–	–	–	–	–
Voluntary contributions receivable	2 056	6	1 050	1 292	89	382	–	89	1 671	796
Other receivables	81	93	65	334	–	–	–	–	11	–
Inventories	–	–	–	–	–	–	–	4	–	–
Other assets	496	20	(12)	9	(59)	–	–	27	–	–
Inter-fund balances receivable	–	1 779	152	–	2 979	651	751	12 897	–	662
Total current assets	**30 477**	**1 898**	**10 688**	**8 646**	**3 329**	**1 033**	**751**	**13 017**	**3 255**	**1 458**
Non-current assets										
Investments	2 731	–	2 405	1 661	61	–	–	–	–	–
Voluntary contributions receivable	–	–	807	48	–	–	–	–	1 595	2 897
Property, plant and equipment	239	36 872	71	429	11 811	157	–	16	2	–
Intangible assets	6	–	114	–	–	–	–	–	–	–
Other assets	–	–	–	–	27	–	–	–	–	–
Total non-current assets	**2 976**	**36 872**	**3 397**	**2 138**	**11 899**	**157**	**–**	**16**	**1 597**	**2 897**
Total assets	**33 453**	**38 770**	**14 085**	**10 784**	**15 228**	**1 190**	**751**	**13 033**	**4 852**	**4 355**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	553	132	585	135	44	5	5	324	18	430
Advance receipts	1 306	44	–	–	–	–	–	254	–	–
Employee benefits liabilities	563	17	158	200	87	6	9	304	102	–
Borrowings	11	3	7	–	2	–	–	–	–	–
Other liabilities	–	3 543	–	–	488	6	–	–	–	–
Inter-fund balances payable	26 527	–	–	43	–	–	–	–	74	–
Total current liabilities	**28 960**	**3 739**	**750**	**378**	**621**	**17**	**14**	**882**	**194**	**430**

Statement of financial position as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU Centre	*UNU headquarters building*	*UNU-WIDER*	*UNU-MERIT*	*UNU-CS*	*UNU-INRA*	*UNU-BIOLAC*	*UNU-IAS*	*UNU-INWEH*	*UNU-CRIS*
Non-current liabilities										
Advance receipts	440	–	–	–	–	–	–	–	–	–
Employee benefits liabilities	–	–	–	–	–	–	–	–	–	–
Borrowings	8	2	–	–	9	–	–	–	–	–
Other liabilities	–	29 047	–	–	11 145	120	–	–	–	–
Share of joint ventures: equity method	40	–	5	4	4	1	–	6	4	1
Total non-current liabilities	**488**	**29 049**	**5**	**4**	**11 158**	**121**	**–**	**6**	**4**	**1**
Total liabilities	**29 448**	**32 788**	**755**	**382**	**11 779**	**138**	**14**	**888**	**198**	**431**
Net of total assets and total liabilities	**4 005**	**5 982**	**13 330**	**10 402**	**3 449**	**1 052**	**737**	**12 145**	**4 654**	**3 924**
Net assets										
Accumulated surpluses	4 005	5 982	13 330	10 402	3 449	1 052	737	12 145	4 654	3 924
Endowment Fund	–	–	–	–	–	–	–	–	–	–
Total net assets	**4 005**	**5 982**	**13 330**	**10 402**	**3 449**	**1 052**	**737**	**12 145**	**4 654**	**3 924**

Statement of financial position as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU-EHS	*UNU-IIGH*	*UNU-GCM*	*UNU-FLORES*	*UNU-IRADDA*	*Total operating funds*	*Endowment Fund*	*End-of-services and post-retirement liabilities*	*Elimination*	*Total UNU*
Assets										
Current assets										
Cash and cash equivalents	1 288	–	–	–	–	25 621	1 872	–	–	27 493
Investments	–	–	–	–	–	21 848	–	–	–	21 848
Voluntary contributions receivable	103	–	896	6	–	8 436	3 413	–	–	11 849
Other receivables	44	6	38	13	–	685	548	–	–	1 233
Inventories	–	–	–	–	–	4	–	–	–	4
Other assets	8	1	–	1	–	491	–	–	–	491
Inter-fund balances receivable	541	4 595	847	1 446	1 168	28 468	5 732	–	(34 200)	–
Total current assets	**1 984**	**4 602**	**1 781**	**1 466**	**1 168**	**85 553**	**11 565**	**–**	**(34 200)**	**62 918**
Non-current assets										
Investments	–	–	–	–	–	6 858	361 522	–	–	368 380
Voluntary contributions receivable	119	–	–	–	–	5 466	–	–	–	5 466
Property, plant and equipment	–	1 016	–	113	–	50 726	–	–	–	50 726
Intangible assets	–	–	–	–	–	120	–	–	–	120
Other assets	–	–	–	–	–	27	–	–	–	27
Total non-current assets	**119**	**1 016**	**–**	**113**	**–**	**63 197**	**361 522**	**–**	**–**	**424 719**
Total assets	**2 103**	**5 618**	**1 781**	**1 579**	**1 168**	**148 750**	**373 087**	**–**	**(34 200)**	**487 637**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	3	16	16	16	–	2 282	15	–	–	2 297
Advance receipts	122	–	–	–	–	1 726	–	–	–	1 726
Employee benefits liabilities	208	37	17	72	–	1 780	–	610	–	2 390
Borrowings	–	2	–	–	–	25	–	–	–	25
Other liabilities	–	47	–	–	–	4 084	–	–	–	4 084
Inter-fund balances payable	–	–	–	–	–	26 644	5 732	1 824	(34 200)	–
Total current liabilities	**333**	**102**	**33**	**88**	**–**	**36 541**	**5 747**	**2 434**	**(34 200)**	**10 522**

Statement of financial position as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU-EHS	*UNU-IIGH*	*UNU-GCM*	*UNU-FLORES*	*UNU-IRADDA*	*Total operating funds*	*Endowment Fund*	*End-of-services and post-retirement liabilities*	*Elimination*	*Total UNU*
Non-current liabilities										
Advance receipts	–	–	–	–	–	440	–	–	–	440
Employee benefits liabilities	–	–	–	–	–	–	–	14 545	–	14 545
Borrowings	–	4	–	–	–	23	–	–	–	23
Other liabilities	–	943	–	–	–	41 255	–	–	–	41 255
Share of joint ventures: equity method	4	3	3	3	(1)	77	–	–	–	77
Total non-current liabilities	**4**	**950**	**3**	**3**	**(1)**	**41 795**	**–**	**14 545**	**–**	**56 340**
Total liabilities	**337**	**1 052**	**36**	**91**	**(1)**	**78 336**	**5 747**	**16 979**	**(34 200)**	**66 862**
Net of total assets and total liabilities	**1 766**	**4 566**	**1 745**	**1 488**	**1 169**	**70 414**	**367 340**	**(16 979)**	**–**	**420 775**
Net assets										
Accumulated surpluses/(deficits)	1 766	4 566	1 745	1 488	1 169	70 414	–	(16 979)	–	53 435
Endowment Fund							367 340			367 340
Total net assets	**1 766**	**4 566**	**1 745**	**1 488**	**1 169**	**70 414**	**367 340**	**(16 979)**	**–**	**420 775**

Annex II

Statement of financial performance for the year ended 31 December 2017, by operating fund

(Thousands of United States dollars)

	UNU Centre	*UNU headquarters building*	*UNU-WIDER*	*UNU-MERIT*	*UNU-CS*	*UNU-INRA*	*UNU-BIOLAC*	*UNU-IAS*	*UNU-INWEH*	*UNU-CRIS*
Revenue										
Voluntary contributions	3 631	19 756	8 869	3 056	954	435	142	6 113	79	(212)
Investment revenue	147	–	117	106	4	–	–	–	–	–
Other revenue	1 241	1 634	295	500	(11)	–	1	321	414	482
Transfers from the Endowment Fund	7 620	–	2 468	1 000	1 907	636	475	–	–	–
Total revenue	**12 639**	**21 390**	**11 749**	**4 662**	**2 854**	**1 071**	**618**	**6 434**	**493**	**270**
Expenses										
Employee salaries, allowances and benefits	7 319	286	2 993	2 141	1 004	513	59	2 876	1 089	59
Rent, leases and utilities	643	15 342	424	330	346	232	142	68	138	187
Travel	1 247	–	1 142	211	178	48	31	947	154	16
Depreciation and amortization	163	490	67	137	520	10	–	(7)	2	–
Non-employee compensation and allowances	1 134	8	1 538	392	46	89	20	749	8	30
Supplies and consumables	486	16	46	42	51	15	6	146	19	57
Other operating expenses	1 201	1 648	1 799	1 290	227	181	355	3 683	186	502
Other expenses	3	–	3	–	1	–	–	2	–	–
Endowment Fund expense allocation	–	–	–	–	–	–	–	–	–	–
Total expenses	**12 196**	**17 790**	**8 012**	**4 543**	**2 373**	**1 088**	**613**	**8 464**	**1 596**	**851**
Surplus/(deficit) for the year	**443**	**3 600**	**3 737**	**119**	**481**	**(17)**	**5**	**(2 030)**	**(1 103)**	**(581)**

Statement of financial performance for the year ended 31 December 2017 (continued)

(Thousands of United States dollars)

	Operating funds									
	UNU-EHS	*UNU-IIGH*	*UNU-GCM*	*UNU-FLORES*	*UNU-IRADDA*	*Total operating funds*	*Endowment Fund*	*End-of-services and post-retirement liabilities*	*Elimination*	*Total UNU*
Revenue										
Voluntary contributions	3 070	95	312	2 448	–	48 748	–	–	–	48 748
Investment revenue	–	–	–	–	–	374	38 347	–	–	38 721
Other revenue	266	15	140	268	–	5 566	13 897	191	(285)	19 369
Transfers from the Endowment Fund	148	2 096	–	–	(291)	16 059	–	–	(16 059)	–
Total revenue	**3 484**	**2 206**	**452**	**2 716**	**(291)**	**70 747**	**52 244**	**191**	**(16 344)**	**106 838**
Expenses										
Employee salaries, allowances and benefits	1 869	683	562	1 105	–	22 558	–	1 482	(191)	23 849
Rent, leases and utilities	228	11	203	254	–	18 548	–	–	(24)	18 524
Travel	334	171	108	157	–	4 744	–	–	–	4 744
Depreciation and amortization	–	68	–	53	–	1 503	–	–	–	1 503
Non-employee compensation and allowances	162	88	99	80	–	4 443	–	–	–	4 443
Supplies and consumables	34	64	33	86	–	1 101	–	–	–	1 101
Other operating expenses	256	162	137	351	5 258	17 236	36 489	–	(70)	53 655
Other expenses	9	–	1	–	–	19	–	–	–	19
Endowment Fund expense allocation	–	–	–	–	–	–	16 059	–	(16 059)	–
Total expenses	**2 892**	**1 247**	**1 143**	**2 086**	**5 258**	**70 152**	**52 548**	**1 482**	**(16 344)**	**107 838**
Surplus/(deficit) for the year	**592**	**959**	**(691)**	**630**	**(5 549)**	**595**	**(304)**	**(1 291)**	**–**	**(1 000)**

Annex III

Statement of appropriations as at 31 December 2017

(Thousands of United States dollars)

	Appropriations			Expenditures			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
UNU Centre							
Research, training networks and dissemination	2 401	5 617	8 018	3 920	50	3 970	4 048
Staff and other personnel costs	6 564	412	6 976	5 930	6	5 936	1 040
General expenses	2 660	564	3 224	1 961	141	2 102	1 122
Subtotal	**11 625**	**6 593**	**18 218**	**11 811**	**197**	**12 008**	**6 210**
UNU headquarters building							
Research, training networks and dissemination	–	–	–	–	–	–	–
Staff and other personnel costs	320	75	395	266	–	266	129
General expenses	2 016	124	2 140	1 890	146	2 036	104
Subtotal	**2 336**	**199**	**2 535**	**2 156**	**146**	**2 302**	**233**
UNU-WIDER							
Research, training networks and dissemination	6 934	3 649	10 583	4 526	13	4 539	6 044
Staff and other personnel costs	3 776	(471)	3 305	2 521	23	2 544	761
General expenses	941	(90)	851	665	27	692	159
Subtotal	**11 651**	**3 088**	**14 739**	**7 712**	**63**	**7 775**	**6 964**
UNU-MERIT							
Research, training networks and dissemination	1 085	2 649	3 734	1 753	41	1 794	1 940
Staff and other personnel costs	1 837	152	1 989	1 743	–	1 743	246
General expenses	437	300	737	640	7	647	90
Subtotal	**3 359**	**3 101**	**6 460**	**4 136**	**48**	**4 184**	**2 276**
UNU-CS							
Research, training networks and dissemination	151	127	278	124	3	127	151
Staff and other personnel costs	1 415	421	1 836	895	10	905	931
General expenses	805	1	806	772	22	794	12
Subtotal	**2 371**	**549**	**2 920**	**1 791**	**35**	**1 826**	**1 094**

Statement of appropriations as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Appropriations			*Expenditures*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
UNU-INRA							
Research, training networks and dissemination	836	(437)	399	266	33	299	100
Staff and other personnel costs	505	(85)	420	417	–	417	3
General expenses	258	(149)	109	109	–	109	–
Subtotal	**1 599**	**(671)**	**928**	**792**	**33**	**825**	**103**
UNU-BIOLAC							
Research, training networks and dissemination	309	98	407	334	39	373	34
Staff and other personnel costs	68	4	72	56	1	57	15
General expenses	99	33	132	73	2	75	57
Subtotal	**476**	**135**	**611**	**463**	**42**	**505**	**106**
UNU-IAS							
Research, training networks and dissemination	7 955	6 393	14 348	7 693	443	8 136	6 212
Staff and other personnel costs	643	–	643	242	7	249	394
General expenses	443	–	443	152	3	155	288
Subtotal	**9 041**	**6 393**	**15 434**	**8 087**	**453**	**8 540**	**6 894**
UNU-INWEH							
Research, training networks and dissemination	439	485	924	324	–	324	600
Staff and other personnel costs	900	164	1 064	923	–	923	141
General expenses	353	14	367	279	1	280	87
Subtotal	**1 692**	**663**	**2 355**	**1 526**	**1**	**1 527**	**828**
UNU-CRIS							
Research, training networks and dissemination	–	112	112	111	–	111	1
Staff and other personnel costs	156	(53)	103	77	–	77	26
General expenses	41	481	522	508	10	518	4
Subtotal	**197**	**540**	**737**	**696**	**10**	**706**	**31**

Statement of appropriations as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Appropriations			*Expenditures*			
Appropriation sections	*Original*	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
UNU-EHS							
Research, training networks and dissemination	643	3 125	3 768	1 723	1	1 724	2 044
Staff and other personnel costs	842	(86)	756	750	–	750	6
General expenses	121	47	168	167	–	167	1
Subtotal	**1 606**	**3 086**	**4 692**	**2 640**	**1**	**2 641**	**2 051**
UNU-IIGH							
Research, training networks and dissemination	860	398	1 258	519	5	524	734
Staff and other personnel costs	994	113	1 107	460	1	461	646
General expenses	391	168	559	204	29	233	326
Subtotal	**2 245**	**679**	**2 924**	**1 183**	**35**	**1 218**	**1 706**
UNU-GCM							
Research, training networks and dissemination	141	86	227	134	3	137	90
Staff and other personnel costs	504	134	638	552	3	555	83
General expenses	194	75	269	262	6	268	1
Subtotal	**839**	**295**	**1 134**	**948**	**12**	**960**	**174**
UNU-FLORES							
Research, training networks and dissemination	322	470	792	475	10	485	307
Staff and other personnel costs	1 288	(46)	1 242	1 238	4	1 242	–
General expenses	220	1	221	219	–	219	2
Subtotal	**1 830**	**425**	**2 255**	**1 932**	**14**	**1 946**	**309**
UNU-IRADDA							
Research, training networks and dissemination	750	(750)	–	–	–	–	0
Staff and other personnel costs	1 049	(1 049)	–	–	–	–	0
General expenses	347	(247)	100	12	–	12	88
Subtotal	**2 146**	**(2 046)**	**100**	**12**	**–**	**12**	**88**
Grand total	**53 013**	**23 029**	**76 042**	**45 885**	**1 090**	**46 975**	**29 067**

Annex IV

Statement of contributions, January to December 2017

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU Centre				
Vice Rectorate in Europe				
Government donations				
Germany, Federal Ministry of Education and Research	–	997	163	1 160
Non-government donations				
European Commission				
European Union (European Commission)	–	58	–	58
United Nations organizations				
International Telecommunication Union	–	65	–	65
Other				
German Agency for International Cooperation	–	287	–	287
European Compliance Organizations for Batteries	–	23	–	23
European Electronics Recyclers Association	–	34	–	34
SENS Foundation	–	13	–	13
Sustainable Electronics Recycling International	–	9	–	9
World Resources Forum Association	–	17	–	17
UNU Office at the United Nations, New York				
Government donations				
Foreign and Commonwealth Office of the United Kingdom	–	8	–	8
Permanent Mission of Liechtenstein to the United Nations	–	34	–	34
Swiss Federal Department of Foreign Affairs	–	63	–	63
United Kingdom, Department for International Development	–	206	–	206
Non-government donations				
United Nations organizations				
International Labour Organization (ILO)	–	20	–	20
United Nations Children's Fund (UNICEF)	–	66	–	66

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Office of the Rector				
Government donations				
Japan, Ministry of Foreign Affairs	–	304	–	304
Non-government donations				
Other				
Farmer's Market Association, Tokyo	–	176	–	176
Japan Foundation for the United Nation University	–	9	–	9
TMI Associates	–	52	–	52
UNU Centre, Kuala Lumpur				
Government donations				
Malaysia, Ministry of Higher Education	–	–	22	22
Centre for Policy Research				
Government donations				
Foreign and Commonwealth Office of the United Kingdom	–	370	–	370
United Kingdom, Department for International Development	–	254	–	254
Swiss Federal Department of Foreign Affairs	–	364	–	364
E-governance				
Government donations				
Portugal	–	–	17	17
UNU Centre	–	**3 429**	**202**	**3 631**
UNU headquarters building and land				
Government donations				
Japan, Ministry of Foreign Affairs	–	1 256	18 465	19 721
Non-government donations				
Other				
Farmer's Market Association, Tokyo	–	35	–	35
UNU headquarters building and land	–	**1 291**	**18 465**	**19 756**

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU-WIDER				
Government donations				
Myanmar, Central Statistical Organization, Ministry of Planning and Finance	–	208	–	208
Finland, Ministry of Environment	–	–	366	366
Norway	–	590	–	590
Swedish International Development Agency, Department for Research Cooperation	–	896	–	896
Finland, Ministry for Foreign Affairs, Department for Development Policy, Unit for Development Policy	–	2 655	–	2 655
South Africa, National Treasury	–	1 438	–	1 438
United Kingdom, Department for International Development	–	2 041	–	2 041
Non-government donations				
United Nations organizations				
ILO	–	15	–	15
Other				
Trade and Industrial Policy Strategies (TIPS)	–	661	–	661
UNU-WIDER	**–**	**8 504**	**366**	**8 870**
UNU-MERIT				
Government donations				
Netherlands, Ministry of Education, Culture and Science	–	1 133	–	1 133
Maastricht City Council	–	312	–	312
Non-government donations				
European Commission				
European Union (European Commission)	–	464	–	464
United Nations organizations				
United Nations Industrial Development Organization (UNIDO)	–	21	–	21
Other				
Maastricht Graduate School of Governance	–	600	–	600
Stichting Maastricht Economic Research Institute on Innovation and Technology	–	527	–	527
UNU-MERIT	**–**	**3 057**	**–**	**3 057**

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
UNU-CS				
Government donations				
Macao Foundation	–	376	488	864
Non-government donations				
Other				
Humanity United	–	89	–	89
UNU-CS	**–**	**465**	**488**	**953**
UNU-INRA				
Government donations				
Ghana	–	–	156	156
Zambia	–	–	66	66
Non-government donations				
United Nations organizations				
United Nations Environment Programme (UNEP)	–	30	–	30
Economic Commission for Africa	–	111	–	111
Other				
Ashesi University Ghana, Climate Innovation Centre	–	15	–	15
International Development Research Centre	–	57	–	57
UNU-INRA	**–**	**213**	**222**	**435**
UNU-BIOLAC				
Government donations				
Bolivarian Republic of Venezuela	–	–	142	142
UNU-BIOLAC	**–**	**–**	**142**	**142**
UNU-CRIS				
Government donations				
Belgium	–	(452)	167	(285)

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Non-government donations				
Other				
University of Ghent	–	73	–	73
UNU-CRIS	**–**	**(379)**	**167**	**(212)**
UNU-IAS				
Government donations				
City of Yokohama	–	–	15	15
Japan, Ministry of Agriculture, Forestry and Fisheries	–	70	–	70
Japan, Ministry of Education, Culture, Sports, Science and Technology	–	2 260	–	2 260
Japan, Ministry of the Environment	–	2 109	–	2 109
Ibaraki Prefectural Board of Education	–	14	–	14
Ishikawa Prefecture	–	225	–	225
Kanazawa City	–	224	–	224
Non-government donations				
United Nations organizations				
UNEP	–	45	–	45
Other				
African Development Bank Group	–	450	–	450
Aoyama Gakuin University	–	2	–	2
Asia-Pacific Network for Global Change Research	–	12	–	12
Canon, Inc.	–	(12)	–	(12)
Chuo University	–	2	–	2
International Christian University	–	2	–	2
Japan Science and Technology Agency	–	84	–	84
Japan Society for the Promotion of Science	–	45	–	45
Kanagawa International Foundation	–	34	–	34
Keio University	–	93	–	93
Kirin Holdings Company, Ltd.	–	36	–	36

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Springer Japan	–	2	–	2
Suzuka University of Medical Science	–	2	–	2
Japan Foundation for the United Nation University	–	136	–	136
Specified non-profit organization, next generation association (Jisedai-Kyokai)	–	3	–	3
Tsuda College	–	2	–	2
University of Tokyo	–	257	–	257
UNU-IAS	**–**	**6 097**	**15**	**6 112**
UNU-INWEH				
Non-government donations				
United Nations organizations				
Department of Economic and Social Affairs of the United Nations Secretariat	–	79	–	79
UNU-INWEH	**–**	**79**	**–**	**79**
UNU-EHS				
Government donations				
Germany, Federal Ministry of Education and Research	–	957	187	1 144
Ministry of Education and Research North Rhine-Westphalia	–	453	–	453
Non-government donations				
European Commission				
European Union (European Commission)	–	65	–	65
United Nations organizations				
Economic and Social Commission for Asia and the Pacific (ESCAP)	–	52	–	52
Other				
Alexander von Humboldt Foundation	–	15	–	15
AXA	–	(12)	–	(12)
German Academic Exchange Service	–	51	–	51
German Research Foundation	–	8	–	8
German Aerospace Center	–	296	–	296

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
University of Applied Sciences, Cologne	–	11	–	11
Munich Climate Insurance Initiative	–	727	–	727
Munich Re Insurance	–	89	–	89
Munich Re Foundation	–	170	–	170
University of Bonn	–	1	–	1
UNU-EHS	**–**	**2 883**	**187**	**3 070**
UNU-IIGH				
Government donations				
Malaysia, Ministry of Higher Education	–	–	47	47
Non-government donations				
Other				
Cardiff University	–	46	–	46
Drexel University	–	2	–	2
UNU-IIGH	**–**	**48**	**47**	**95**
UNU-GCM				
Government donations				
Catalonia Government	–	–	184	184
Spain, Ministry of Education	–	31	–	31
Swiss Federal Department of Foreign Affairs	–	96	–	96
UNU-GCM	**–**	**127**	**184**	**311**
UNU-FLORES				
Government donations				
Germany, Federal Ministry of Education and Research	–	1 561	–	1 561
Saxon State Ministry for Higher Education, Research and the Arts	–	551	222	773

Statement of contributions, January to December 2017 (continued)

(Thousands of United States dollars)

	Endowment Fund contribution	*Operating contribution*	*Voluntary in-kind contributions*	*Total*
Non-government donations				
Other				
Alexander von Humboldt Foundation	–	18	–	18
German Research Foundation	–	81	–	81
University of Twente	–	16	–	16
UNU-FLORES	**–**	**2 227**	**222**	**2 449**
Grand total	**–**	**28 041**	**20 707**	**48 748**

Note: The negative operating contribution amounts are mainly attributable to accounting adjustments and refunds to donors (see annex VI).

Annex V

Statement of unpaid pledges as at 31 December 2017

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add fresh pledges received in 2017*	*Less collection during 2017*	*Add gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
Operating funds					
UNU Centre					
Government donations					
Germany, Federal Ministry of Education and Research	–	997	(997)	–	–
Japan, Ministry of Foreign Affairs	–	304	(304)	–	–
Portugal	2 000	–	–	–	2 000
Permanent Mission of Liechtenstein to the United Nations	–	34	(34)	–	–
Swiss Federal Department of Foreign Affairs	–	427	(427)	–	–
Foreign and Commonwealth Office of the United Kingdom	–	377	(377)	–	–
United Kingdom, Department for International Development	–	460	(460)	–	–
Non-government donations					
European Commission					
European Union (European Commission)	27	480	(507)	–	–
United Nations organizations					
ILO	–	20	(20)	–	–
International Telecommunication Union	–	65	(65)	–	–
UNICEF	150	66	(216)	–	–
Other					
German Agency for International Cooperation	–	287	(287)	–	–
European Compliance Organizations for Batteries	–	23	(11)	–	12
European Electronics Recyclers Association	–	34	(34)	–	–
Farmer's Market Association, Tokyo	42	176	(176)	1	43
SENS Foundation	–	13	(13)	–	–
Sustainable Electronics Recycling International	–	9	(9)	–	–
Japan Foundation for the United Nation University	–	9	(9)	–	–
TMI Associates	–	52	(52)	–	–

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add: fresh pledges received in 2017*	*Less: collection during 2017*	*Add: gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
World Resources Forum Association	–	17	(17)	–	–
UNU Centre	**2 219**	**3 850**	**(4 015)**	**1**	**2 055**
UNU headquarters building					
Government donations					
Japan, Ministry of Foreign Affairs	–	1 255	(1 255)	–	–
Non-government donations					
Other					
Farmer's Market Association, Tokyo	–	35	(30)	–	5
UNU headquarters building and land	**–**	**1 290**	**(1 285)**	**–**	**5**
UNU-WIDER					
Government donations					
Finland, Ministry for Foreign Affairs of Finland, Department for Development Policy, Unit for Development Policy	–	2 655	(2 655)	–	–
Myanmar, Central Statistical Organization, Ministry of Planning and Finance	–	208	(208)	–	–
Norway	–	589	(589)	–	–
Korea International Cooperation Agency	87	–	(87)	–	–
South Africa, National Treasury	–	1 438	(137)	69	1 370
Swedish International Development Agency, Department for Research Cooperation	–	896	(896)	–	–
United Kingdom, Department for International Development	–	2 041	(2 041)	–	–
Non-government donations					
United Nations organizations					
ILO	–	15	(15)	–	–
Other					
Trade and Industrial Policy Strategies (TIPS)	–	661	(217)	43	487
UNU-WIDER	**87**	**8 503**	**(6 845)**	**112**	**1 857**

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add: fresh pledges received in 2017*	*Less: collection during 2017*	*Add: gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
UNU-MERIT					
Government donations					
Netherlands, Ministry of Education, Culture and Science	956	1 133	(1 050)	78	1 117
Maastricht City Council	–	312	(312)	–	–
Non-government donations					
European Commission					
European Union (European Commission)	–	190	(186)	(4)	–
United Nations organizations					
UNIDO	–	21	(21)	–	–
Other					
Economic Research Southern Africa	8	–	–	1	9
Maastricht Graduate School of Governance	–	600	(600)	–	–
Stichting Maastricht Economic Research Institute on Innovation and Technology	–	527	(527)	–	–
NEPAD Planning and Coordinating Agency	43	–	(44)	1	–
WASTE	251	–	(71)	35	215
UNU-MERIT	**1 258**	**2 783**	**(2 811)**	**111**	**1 341**
UNU-CS					
Government donations					
Macao Foundation	–	376	(376)	–	–
Non-government donations					
Other					
Humanity United	–	89	–	–	89
UNU-CS	**–**	**465**	**(376)**	**–**	**89**
UNU-INRA					
Non-government donations					
United Nations organizations					
UNEP	–	30	(30)	–	–
Economic Commission for Africa	383	111	(111)	–	383

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add: fresh pledges received in 2017*	*Less: collection during 2017*	*Add: gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
Other					
Ashesi University Ghana, Climate Innovation Centre	–	15	(15)	–	–
International Development Research Centre	–	57	(57)	–	–
UNU-INRA	**383**	**213**	**(213)**	**–**	**383**
UNU-CRIS					
Government donations					
Belgium	4 538	(954)	(736)	414	3 262
Non-government donations					
Other					
University of Ghent	–	73	(73)	–	–
Vrije Universiteit Brussel	–	502	(142)	70	430
UNU-CRIS	**4 538**	**(379)**	**(951)**	**484**	**3 692**
UNU-IAS					
Government donations					
Japan, Ministry of Agriculture, Forestry and Fisheries	–	70	(70)	–	–
Japan, Ministry of Education, Culture, Sports, Science and Technology	–	2 260	(2 260)	–	–
Japan, Ministry of the Environment	–	2 109	(2 109)	–	–
Ibaraki Prefectural Board of Education	–	14	(14)	–	–
Ishikawa Prefecture	43	225	(223)	–	45
Kanazawa City	43	224	(225)	2	44
Non-government donations					
United Nations organizations					
UNEP	–	45	(45)	–	–
Other					
African Development Bank Group	–	450	(450)	–	–
Aoyama Gakuin University	–	2	(2)	–	–
Asian Development Bank, Metro Manila, Philippines	–	131	(131)	–	–
Asia-Pacific Network for Global Change Research	4	13	(17)	–	–

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add fresh pledges received in 2017*	*Less collection during 2017*	*Add gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
Canon, Inc.	13	(13)	–	–	–
Chuo University	–	2	(2)	–	–
Institute for Global Environmental Strategies	394	–	(417)	23	–
International Christian University	–	2	(2)	–	–
International University of Japan	–	2	(2)	–	–
Japan Educational Exchanges and Services	–	27	(27)	–	–
Japan Science and Technology Agency	–	84	(84)	–	–
Japan Society for the Promotion of Science	14	45	(60)	1	–
Kanagawa International Foundation	–	34	(34)	–	–
Keio University	86	93	(179)	–	–
Kirin Holdings Company, Ltd.	–	36	(36)	–	–
Springer Japan	–	2	(2)	–	–
Suzuka University of Medical Science	–	2	(2)	–	–
Japan Foundation for the United Nation University	–	280	(280)	–	–
Specified non-profit organization, next generation association (Jisedai-Kyokai)	–	3	(3)	–	–
Tsuda College	–	2	(2)	–	–
Universitetet I Tromso, Norges Arktiske Universitet	101	–	(103)	2	–
University of Tokyo	–	257	(257)	–	–
UNU-IAS	**698**	**6 401**	**(7 038)**	**28**	**89**
UNU-INWEH					
Government donations					
Canada, Department of Foreign Affairs, Trade and Development	4 432	–	(1 468)	211	3 175
Korea Environment Corporation and Republic of Korea, Ministry of the Environment	45	–	(48)	3	–
Non-government donations					
United Nations organizations					
Department of Economic and Social Affairs	–	79	(79)	–	–

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add: fresh pledges received in 2017*	*Less: collection during 2017*	*Add: gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
Other					
Anderson Water Systems, Inc.	22	–	(11)	1	12
Edmonton Power Corporation Water Services, Inc.	148	–	(74)	5	79
McMaster University	44	–	(47)	3	–
UNU-INWEH	**4 691**	**79**	**(1 727)**	**223**	**3 266**
UNU-EHS					
Government donations					
Germany, Federal Ministry of Education and Research	–	957	(957)	–	–
Ministry of Education and Research North Rhine-Westphalia	–	453	(453)	–	–
Non-government donations					
European Commission					
European Union (European Commission)	–	109	(109)	–	–
United Nations organizations					
ESCAP	–	52	(52)	–	–
Other					
Alexander von Humboldt Foundation	–	15	(15)	–	–
AXA	91	(12)	(55)	13	37
Buendnis Entwicklung Hilft	15	–	(18)	3	–
German Academic Exchange Service	–	51	(51)	–	–
German Research Foundation	–	8	(8)	–	–
German Aerospace Center	13	296	(310)	1	–
Helmholtz Centre Potsdam, German Research Centre for Geosciences	6	–	–	1	7
Munich Climate Insurance Initiative	27	727	(669)	4	89
Munich Re Foundation	–	170	(170)	–	–
Munich Re Insurance	28	89	(27)	–	90
University of Applied Sciences, Cologne	–	11	(11)	–	–
University of Bonn	–	1	(1)	–	–
University of Hannover	24	–	(23)	(1)	–
UNU-EHS	**204**	**2 927**	**(2 929)**	**21**	**223**

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add: fresh pledges received in 2017*	*Less: collection during 2017*	*Add: gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
UNU-IIGH					
Non-government donations					
Other					
Cardiff University	–	46	(46)	–	–
Drexel University	–	2	(2)	–	–
UNU-IIGH	**–**	**48**	**(48)**	**–**	**–**
UNU-GCM					
Government donations					
Spain, Ministry of Education	1 987	–	(1 288)	197	896
Swiss Federal Department of Foreign Affairs	–	96	(96)	–	–
UNU-GCM	**1 987**	**96**	**(1 384)**	**197**	**896**
UNU-FLORES					
Government donations					
Germany, Federal Ministry of Education and Research	–	1 561	(1 561)	–	–
Saxon State Ministry for Higher Education, Research and the Arts	–	551	(551)	–	–
Non-government donations					
Other					
Alexander von Humboldt Foundation	–	18	(18)	–	–
German Research Foundation	–	81	(81)	–	–
University of Twente	–	16	(10)	–	6
UNU-FLORES	**–**	**2 227**	**(2 221)**	**–**	**6**
UNU-IRADDA					
Government donations					
Algeria	8 000	–	–	–	8 000
UNU-IRADDA	**8 000**	**–**	**–**	**–**	**8 000**
Total operating funds as at 31 December 2017	**24 065**	**28 503**	**(31 843)**	**1 177**	**21 902**

Statement of unpaid pledges as at 31 December 2017 (continued)

(Thousands of United States dollars)

	Unpaid pledges as at 1 January 2017	*Add: fresh pledges received in 2017*	*Less: collection during 2017*	*Add: gain (loss) on exchange*	*Unpaid pledges as at 31 December 2017*
Endowment Funds					
UNU-INRA					
Government donations					
Cameroon	3 509	–	–	498	4 007
Ghana, Ministry of Education	192	–	–	–	192
Zambia	200	–	–	–	200
UNU-INRA	**3 901**	**–**	**–**	**498**	**4 399**
UNU-IRADDA					
Government donations					
Algeria	45 000	–	–	–	45 000
UNU-IRADDA	**45 000**	**–**	**–**	**–**	**45 000**
Total Endowment Funds as at 31 December 2017	**48 901**	**–**	**–**	**498**	**49 399**
Total all funds outstanding as at 31 December 2017	**72 966**	**28 503**	**(31 843)**	**1 675**	**71 301**
Allowance for doubtful receivables	**(13 071)**	**(40 854)**	**–**	**(61)**	**(53 986)**
Net total all funds outstanding as at 31 December 2017	**59 895**	**(12 351)**	**(31 843)**	**1 614**	**17 315**

Note: The table shows the reconciliation of opening to closing pledges for those payees who have unpaid pledges as at 31 December 2017.

Annex VI

Statement of refunds to donors

(Thousands of United States dollars)

	Operating unit	*31 December 2017*
Donors		
AXA	UNU-EHS	12
Macao Foundation	UNU-CS	64
Total refunds to donors for the year		**76**